Driving a new future in **green hydrogen**

Clean Power Hydrogen plc

2024 Annual Report and Accounts

WELCOME

Our passion for hydrogen as a clean energy source for the future has led us to explore alternatives to existing electrolyser technology which have presented adoption challenges.

In our pursuit, we have found that membrane-free water electrolysis offers a cleaner and more cost-effective method, making it a practical solution for the future.

This breakthrough offers a robust, environmentally friendly, and economically viable technology, instilling optimism about the future of clean energy.

Read more about our new Licence Agreement with Lisheen H2 Energy Park Limited on page 4

Our purpose

To reduce the creation of harmful emissions by participating in the growth of the hydrogen economy.

Our vision

To be the leading developer and manufacturer of membrane-free green hydrogen technologies.

Our values

We are passionate, innovative, open and genuine. We value an authentic and inclusive work culture that encourages employee expression and fosters trust, respect and creativity.

Contents

Achievements

- Successfully completed the Factory Acceptance Test of the MFE110, demonstrating the MFE technology works safely at scale.
- First customer acceptance and validation of the Company's unique scaled electrolyser technology marks the turning point in the Company's strategy from R&D to the Commerciality Phase.
- Delivered the MFE110 unit to the customer, Northern Ireland Water's, site and successfully completed Levels 1 and 2 of Site Acceptance Testing in Q1 2025, with Level 3, the final stage, expected within H2 2025.
- Signed a significant licence agreement with Hidrigin to manufacture up to 2GW of MFE electrolysers over a 20-year period, alongside signing a Sales Contract for the delivery of a MFE220 unit.
- Renewed contracts for MFE220 units with Northern Ireland Water and Fabrum Solutions, reaffirming customer confidence in the MFE technology and solidifying our position for the next phase of growth.
- Strong progress on technology development including automatic operation and shutdown of the electrolyser and formidable strides in enhancing the safety case of MFE technology.
- Awarded prestigious CE marking for the manufacture of the electrolyser stacks and obtained component level CE marking for all electrolyser components for the MFE220.
- Successfully completed an equity fundraising in January 2025, generating gross proceeds of £6.4m (£5.7m net).

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It is no exaggeration to say that the past 12 months have comprised the most important and historic moments for CPH2 since its inception as a company

Chris Train
Chairman

Find out more
on our website
www.cph2.com

A historic milestone for MFE technology

The Factory Acceptance Test ("FAT") of the MFE110 is the most significant accomplishment of CPH2 in the life of the Company. The FAT test serves as an independent validation that the MFE technology can operate successfully and safely at scale, marking a pivotal moment from which the Company as it transitions to its Commerciality Phase.

Find out more
on our website
www.cph2.com

Factory Acceptance Test of the MFE110

- CPH2 achieved a successful Factory Acceptance Test of the MFE110 Electrolyser
- First independent proof that the unique and differentiated MFE technology can operate at scale
- First commercially scaled, membrane-free electrolyser accepted by customer. Witnessed by ARUP & Lagan MEICA Ltd
- Demonstrated full automatic operation and shutdown
- Proves technology readiness – ARUP*

What is the MFE110 Electrolyser

The MFE110 is a scaled electrolyser of up to 0.5MW capacity, containing the same sized components necessary for operation of CPH2's flagship 1MW system, the MFE220.

What is a Factory Acceptance Test and what was involved

A Factory Acceptance Test is an independently witnessed and validated test that the electrolyser works in accordance with the contractual specifications, including automatic operation and shutdown. It comprises three stages, each of which were signed off in sequence as the electrolyser was commissioned. A Site Acceptance Test is a repeat of the FAT, but on a customer's site.

Why was the FAT important

The FAT has significantly derisked the technology, providing a strong basis for the Company to move forward. With an innovative technology the path to technology readiness is neither smooth nor linear. The Company has spent a number of years in bringing the MFE technology to a scaled system which can operate successfully and safely. During this time engineering issues were identified, and solutions found, progressively learning and resolving challenges, bringing the technology closer to a successful outcome. The culmination of this tireless effort was the FAT, witnessed by Lagan MEICA Ltd, Principal Contractor to Northern Ireland Water, and ARUP, Engineering Consultant to Northern Ireland Water.

Having achieved proof that the technology works at scale, the Company can quickly and confidently move into commercialising the technology with the build of the first MFE220 system (1MW) with the FAT expected H2 2025.

Next steps – operation on a customer site

Following the FAT, the MFE110 was decommissioned and shipped to a water treatment plant owned by Northern Ireland Water. In February 2025, Level 1 of the Site Acceptance Test ("SAT") was successfully completed, followed by Level 2 of the SAT in March 2025. The Company is on course to complete Level 3 of the SAT within H1 2025, which will signify scaled MFE technology working on a customer's site for the first time – another historic milestone for the Company.

Such a milestone will also be significant to Northern Ireland, being the first pure hydrogen and oxygen generated reliably by a scaled electrolyser in Northern Ireland.

Partners and organisations

We are grateful for the support of many parties who were involved in the project. First and foremost is Lagan MEICA Ltd, Principal Contractor to Northern Ireland Water, whose tireless dedication, guidance and support has been matched by their underlying confidence in the technology and the transformative advantages it offers.

We are also incredibly grateful to Northern Ireland Water, the ultimate customer of the Company's first MFE220, who have demonstrated unwavering support and patience, most tangibly demonstrated by the restated contract signed in October 2024.

We would also like to thank ARUP who have supported the Company for many years, and with whom we continue to have strong engagement. The strong support of the Strategic Investment Board Northern Ireland and Invest NI is most appreciated and their enthusiasm for CPH2 and its MFE technology has been demonstrated for many years and continues to this day. Our licence partners, Kenera and Fabrum Solutions, have also greatly assisted us and provided valuable feedback and input, for which we are most grateful. Finally, there were many contractors who have played an important role, including leading professional services firm WSP, Cepha Controls Ltd and Cenelec Standards Inspection Ltd.

kenera · northern ireland water – Delivering what matters · FABRUM. · Lagan MEICA – MECHANICAL | ELECTRICAL | INSTRUMENTATION CONTROL | AUTOMATION · ARUP

> We are thrilled to have reached this pivotal milestone with CPH2. The MFE110 electrolyser will play a crucial role in our efforts to decarbonise our operations and explore the transformative potential of hydrogen and oxygen in wastewater treatment.
>
> **Alistair Jinks**
> NI Water

* According to a Technology Review prepared by ARUP, the MFE110 has been classified as TRL6 on FAT and will be TRL7 on SAT

NEW LICENCE

Driving global growth and market penetration

On 4 November 2024, CPH2 was pleased to enter into a new licence agreement with Lisheen H2 Energy Park Limited, which trades under the name Hidrigin. In addition to signing the licence agreement, the parties entered a sales contract for the delivery of a 1MW MFE220 electrolyser unit by CPH2.

The licence agreement between Hidrigin and CPH2 covers the construction of 2GW of MFE electrolysers in Ireland over a period of up to 20 years. Under the terms of the licence agreement, the manufactured electrolysers will be exclusively used by Hidrigin and cannot be sold to third parties.

Hidrigin has outsourced the manufacturing of MFE220 units to Jones Engineering Manufacturing Ltd (part of the global engineering firm Jones Engineering Group), at its manufacturing facility in Co. Carlow, Ireland. Lagan MEICA Ltd has been appointed as its technical advisor to advise on the construction, commissioning and installation of MFE units.

Hidrigin plans to build a manufacturing facility in Lisheen BioEnergy Campus as it scales up manufacturing of MFE units. It plans to utilise the MFE220 across its own solar PV and wind farms across the world and has agreed terms to sell its green hydrogen which will be produced in Lisheen as part of its pilot project to several commercial off takers. Hidrigin has €100m funding terms in place to build out its renewable energy development together with its green hydrogen pilot project commencing in 2025. Ultimately, Hidrigin has a goal of developing €500m of its own renewable energy projects together with its manufactured MFE220 electrolysers across Europe by 2030.

Revenue profile

- **Licence fee to purchase the agreement**
  Payable in three stages upon milestones met (expected within first three years of the agreement)
- **Technology fee**
  Fixed fee payable to CPH2 upon unit manufactured under the licence agreement reaching FAT
- **Sales of components**
  Components purchased from CPH2 for each unit manufactured under the licence agreement

> "Our licence agreement and sales contract with Hidrigin showcases the **increasing customer demand for, and belief in, our MFE technology.**
>
> **Jon Duffy**
> CEO

> "Having thoroughly examined the supply chain for electrolysers in support of our renewable energy projects we have found CPH2's Membrane-Free technology to be the standout choice. Its reliability and ability to handle variable power inputs efficiently are crucial for us. With the licence agreement, we can fast-forward the manufacture of MFE units utilising the expertise and enormous manufacturing capacity of our manufacturing partner Jones Engineering Manufacturing.
>
> **Eric Whelan**
> Chief Executive Officer of Hidrigin

Jones Engineering Manufacturing

Jones Engineering Manufacturing is a subsidiary of Jones Engineering Group, a global leader in mechanical, electrical, and fire protection services, with over 130 years' of experience.

Specialising in sectors such as life sciences, data centres, healthcare, and renewable energy, Jones Engineering Manufacturing offers turnkey solutions, including modular manufacturing and offsite fabrication.

Their design-for-manufacture expertise focuses on optimal manufacture of modular construction to enhance throughput and thereby reducing the cost of manufacture. These units are BIM-integrated, ensuring repeatable, standardised designs that reduce on-site work, essential for reducing commissioning time and costs.

Their 9,000m^2 facility enables collaborative workshops to optimize designs for transport, assembly, and supply chain integration. Known for their innovation and commitment to sustainability, Jones Engineering Manufacturing supports complex projects worldwide, from design through to ongoing maintenance, ensuring efficiency and quality across diverse industries.

A giant leap for the UK's hydrogen economy

I am delighted to present the Annual Report of Clean Power Hydrogen plc ("CPH2" or the "Company") for the year ended 31 December 2024.

It is no exaggeration to say that the past 12 months have comprised the most important and historic moments for CPH2 since its inception as a company. From the very beginning of our journey, CPH2's technology has been at the very heart of what drives us towards our ambitious and ground-breaking goals. It was therefore a momentous occasion for the Group, as its first scaled Membrane-Free Electrolyser ("MFE") successfully completed its Factory Acceptance Test for delivery to our customer, Northern Ireland Water. For CPH2, this marked the move from an innovative designer, to having a third party tested, commercially scaleable product ready to bring genuine change to the global hydrogen market.

As we successfully navigated a year full of both technical and corporate challenges, we kept laser focused on our mission as a company to serve an important role in the green hydrogen economy and present a solution in reducing carbon intensity across industry. Green hydrogen as a solution to carbon intensity remained very much on the global agenda in the year, marked by increased production, substantial investments and technological advancements. Nonetheless, the hydrogen industry faces persistent challenges that require coordinated efforts from policymakers, industry stakeholders and investors to realise hydrogen's full potential in the global energy transition.

Closer to home, the UK marked a year of substantial progress with strategic investments, policy updates and industry initiatives aimed at integrating hydrogen into the nation's energy transition. The year culminated in the Department for Energy Security & Net Zero's Hydrogen Strategy Update, whereby the newly elected Government outlined its updated Hydrogen Strategy, outlining key policy progress and future opportunities across areas such as production, networks and storage, usage, regulatory frameworks and sector development. We were pleased to be featured in the update, affirming our important place within the UK's green hydrogen economy amongst our peers and having our progress recognised by the UK Government.

Despite advancements in the year, as well as the newly established Labour Government placing emphasis on accelerating the hydrogen economy in the UK (including £2bn of funding for 11 new green hydrogen projects in the UK), challenges persist; particularly regarding the high production costs of green hydrogen and determining its most effective applications. Within this environment, I truly believe CPH2 finds itself in an advantageous position, having commercially tested technology, which can be rolled out with a short lead time, and a huge number of applications. As we enter our Commerciality Phase, I look forward to seeing CPH2 capitalise on its many strengths and capture its many opportunities.

Christopher Train
Chair

Board and senior management

As we successfully navigated a challenging but rewarding year as a listed company, I extend my sincere gratitude for the dedication, insight and leadership of my fellow Directors. Their commitment has been instrumental in navigating challenges and seizing opportunities, ensuring our continued growth and success. With no change in our composition, we retained an engaged Board, who kept a focus on what sets CPH2 apart and the ambition that keeps us all driven.

Perhaps one of the most important roles of the Board is the constant focus on ensuring the financial health of the Company. As a pre-revenue company, it is imperative that CPH2 remains a going concern and maintains a level of working capital that allows it to operate effectively and fund its goals. It was therefore testament to the team that, within a challenging equity capital market environment, CPH2 raised gross proceeds of £6.4m through the successful placing of new shares. This included participation from Directors, senior management, institutions and retail holders alike.

Outlook

The significant progress CPH2 has achieved in the past year cannot be understated and, through an often-laborious process of proving the commerciality of our technology, we now sit in an enviable position with a monumental opportunity ahead of us.

The dedication and tireless efforts of the team in advancing CPH2's MFE technology over the past year have been truly impressive. Looking ahead, I am confident that CPH2 is in an exceptionally strong position, poised to unlock significant value. As we continue our journey towards full commercialisation and beyond, I want to extend my sincere gratitude to everyone for their hard work over the past year and to our shareholders for their unwavering support throughout this period.

Christopher Train
Chair
30 April 2025

Why invest

1.
Enormous addressable market

2.
Excellent and realistic commercial strategy
Fast, lean, de-risked acceleration

3.
Solid route to market

4.
Differentiated technology
Solving fundamental degradation and supply chain issues

5.
Strong management and people

Transitioning from technological breakthrough to commerciality

2024 has been a truly pivotal year for CPH2, marking our transition into a new Commerciality Phase, and we ended the year in the strongest position in the Company's history.

Jon Duffy
Chief Executive Officer

Outlook

It has been a year of technological breakthroughs, significant milestones and continued progress as we advanced our unique MFE technology and move closer to full-scale deployment.

As we commercialise our technology, we are confident that the ability to link our technology to intermittent renewable power will be a true differentiator and will set CPH2 apart in the green hydrogen market. We will continue to concentrate on markets where there is already a large amount of curtailed power (for example the island of Ireland) and work with project developers that have a ready market for both green hydrogen and high-grade oxygen. We have strategically located our current licences in such markets (KCA Deutag – Germany, Hidrigin – Ireland, and Fabrum – New Zealand). These markets have struggled to secure reliable competing technology given high costs of raw materials (platinum group metals) and component failures through membrane problems and degradation being a common theme. Many of these challenges that have faced the green hydrogen sector do not, we believe, apply to CPH2, and it is our belief that we can answer these challenges. We are in the process of rolling out our full licence packs to our partners so they can start production. (See Commercial Review on page 14).

Now that our technology is proven at scale, we enter the Commerciality Phase with key milestones to produce and deliver of our first commercial 1MW MFE220 units, activate our licensees and crystallise our commercial pipeline. We are also turning our attention to engineering in efficiency gains and reducing cost. We will invest in value engineering to ensure the MFE products are designed for repeatable manufacture and assembly in the most cost-efficient manner whilst ensuring that they are a true plug and play solution that are easy to service and maintain. (See Technology Review on page 12).

Our MFE220 will remain our core base product but we see the opportunity to develop a larger MW system in the future that can be deployed singularly or in multiples into larger projects.

The current geopolitical situation with tariffs being levied across the globe plays into our licensing model. We view the US market as a huge opportunity and are confident that, when the time is right, we can set up licensed manufacturing plants within country to serve that market.

To spearhead the commercial engagement, we are delighted to have appointed Richard Scott, the first Chief Commercial Officer ("CCO") for CPH2. Building our contracted order book and securing potential new licences will be high on his agenda.

We recognise that the future is challenging but we have the technology, the skill set, the right partners and an unwavering drive to meet our business goals.

Technology

Our major milestone in 2024 was undoubtedly the successful completion of the Factory Acceptance Test for our MFE110 in September, demonstrating the MFE technology works successfully and safely at scale. This achievement represents the largest technological advancement in CPH2's history and validates our technology as a viable alternative to traditional PEM and Alkaline electrolysers. The rigorous testing process, which began in June, involved detailed verification of mechanical, electrical and functional specifications, culminating in the successful passage of all performance and safety tests. This accomplishment is a testament to the dedication and expertise of the entire CPH2 team.

The testing process was independently witnessed by Lagan MEICA, the principal contractor, and Arup, representing Northern Ireland Water, further reinforcing the credibility of the process and our technology. In December 2024, we shipped the MFE110 unit to Northern Ireland Water for installation in Belfast. By early 2025, it successfully passed Levels 1 and 2 of the Site Acceptance Testing ("SAT"), with Level 3 scheduled to follow in H1 2025. This is a key step towards the first scaled production of high purity hydrogen and oxygen on a customer site, marking a significant milestone in the commercialisation of our technology. Our electrolyser will play a critical role in Northern Ireland Water's efforts to decarbonise its operations and explore the transformative potential of high purity oxygen in wastewater treatment.

The success of the MFE110 has provided valuable insights for the development of our flagship MFE220. The lessons learned in 2024 have allowed us to refine and enhance the design of the MFE220, making it safer, more efficient, and fully automated while meeting industry-recognised Safety Integrity Levels ("SIL") ratings. Our team's ability to overcome technical and engineering challenges has strengthened our confidence in the scalability of our technology.

As further described in the Technology Review on page 12, during 2024 a substantial amount of energy and resources has gone into fundamentally improving the safety case of MFE technology, enhancing the proposition to customers.

Another significant achievement was the awarding of the prestigious CE Marking for the manufacture of CPH2's electrolyser stacks. This certification, following an independent assessment by a Notified Body, underscores our commitment to producing high-quality, safe products that meet the highest standards.

Operational

In 2024, the Company made strong headway in building the operational foundations required to support future build and scale-up, with a focus on continuous improvement across key functions. We took important steps to enhance internal processes across procurement, production planning, project management and quality management, laying the groundwork for increased efficiency and control.

The Company remains committed to upholding the highest standards of quality, safety, and efficiency by aligning its operations with ISO (International Organization for Standardization) best practices.

We achieved Fit4Hydrogen certification, a meaningful indicator of our growing alignment with industry standards, and we delivered the first version of our manufacturing pathway, which will continue to evolve in our commerciality phase in preparation for scale.

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The global **green hydrogen market was valued at approximately $6.42 billion in 2023 and is projected to reach $84 billion by 2029**, reflecting the huge mid-term opportunity within the sector in which we operate.

Jon Duffy
Chief Executive Officer of CPH2

Commercial update

We were delighted to achieve a new sale of an electrolyser as well as a licence agreement with Hidrigin, an Irish solar development company with an existing project in Lisheen, County of Cork and ambitious plans for expansion. The licence agreement grants Hidrigin the right to manufacture up to 2GWs of MFE electrolysers over a 20-year period. Further details are on page 4.

The continued support from our customers has been instrumental to our success in 2024. In November, we renewed contracts for the MFE220 with both Northern Ireland Water and Fabrum Solutions. Northern Ireland Water's contract includes the deployment of one MFE220 unit in Belfast, while Fabrum will receive two MFE220 units in New Zealand. These renewed agreements further demonstrate strong confidence in our technology and for the FAT of the MFE220 for Northern Ireland Water is scheduled to take place in 2025. This re-commitment from our customers solidifies our position for the next phase of growth.

As detailed in the Commercial Review on page 14, we see a strong near-term opportunity on the island of Ireland, in the UK and in continental Europe.

People

As we continue to push the boundaries of green hydrogen production, our culture of innovation, passion, and inclusivity is at the core of everything we do and drives our success as we work together to achieve our vision. The progress we have made in 2024 is a direct reflection of the hard work, commitment, and expertise of our entire team. In 2023, we focused on revamping our engineering capabilities, and in 2024, we have seen the fruits of that investment with the continued advancement of our technology.

We are particularly proud of the recognition received by two of our team members, Bridie Haxby and Qamar Khan, both of whom were shortlisted for prestigious Green Hydrogen Awards and for which Qamar Khan won Hydrogen Person of the Year. This recognition highlights the depth of expertise within our team and serves as a testament to their outstanding contributions to the green hydrogen sector.

Market

The green hydrogen sector experienced significant developments in the year, marked by substantial investments, policy advancements, and technological progress. The global green hydrogen market was valued at approximately $6.42bn in 2023 and is projected to reach $84bn by 2029, reflecting the huge mid-term opportunity within the sector in which we operate.

Investment decisions for hydrogen projects doubled in the year, with China leading this surge. However, there were challenges on technology issues, resulting in financing issues and unclear demand. These issues are expected for any nascent industry and underlines the importance of the MFE technology providing a solution to the technology challenges. With a market with such huge potential as hydrogen, I am confident that seeing global full-scale uptake of hydrogen within multiple industries is a question of "when" rather than an "if".

Closer to home, the UK made significant inroads in supporting the green hydrogen industry. In December 2024, the Department for Energy Security and Net Zero published its latest Hydrogen Strategy Update to the Market. We are proud to have been included in this update, further validating the critical role CPH2 plays in advancing the hydrogen sector. The update highlights significant policy progress made throughout the year, bringing the UK closer to its goal of a low-carbon hydrogen economy. This progress presents exciting opportunities for the future, and we are proud to be part of this transformative journey.

Summary

The MFE110 FAT was a key juncture to spring into the Commerciality Phase. Our primary focus in 2025 will be on completing the design, testing and manufacture of the MFE220, activating our licensees to facilitate further market expansion, and ramping up our commercial pipeline, whilst completing the MFE110 SAT on Northern Ireland Water's site.

I would like to extend my deepest gratitude to our dedicated team, shareholders and partners for their continued support. As we navigate 2025, we do so with a continued sense of great anticipation and excitement for the opportunities ahead. We are well positioned to take meaningful strides toward commercialisation, driven by the confidence in our technology and the trust of our customers. With the support of our team and stakeholders, we look forward to delivering a unique, industry-ready product that will transform the energy landscape.

Jon Duffy
Chief Executive Officer
30 April 2025

OUR STRATEGY

1. R&D Phase

R&D Phase
UP TO 2024

Goal:
1. Technical proof

R&D focus
- Prove technology can operate at scale
- First acceptance by customer

Current phase

2. Commerciality Phase

Commerciality Phase
2024–2026

Goal:
1. Generate revenue
2. Refine commercial offering
3. Prepare to scale

Commercial focus
- Build and sell MFE220 commercial product
- Generate & grow revenue
- Activate licensees for their manufacturing & scale
- Grow customer pipeline in preparation for scale
- Roadmap for lowering build costs & increasing margin

- Technology improvement: improved system efficiency
- Enhanced safety offering

3. Scale Phase

Scale Phase
2026+

Goal:
1. Breakeven to profitability

Scale focus
- Scale production
- Optimise manufacturing
- Scale supply chain

- Service & maintenance income stream
- New licensees

- Product development

A transformational year for our MFE technology

Introduction

2024 was a year of tangible progress within the technology function. Building on the progress made in 2023 with the revamped engineering team, a systematic methodology and analysis was followed. We resolved complex engineering issues and adopted higher standards with regard to process, design, control and safety. The result of this process led to the successful, independently-witnessed FAT of the MFE110 in September 2024 at CPH2's Doncaster test facility – the most significant technology milestone CPH2 has ever achieved.

Achievements in pursuit of the MFE110 included development of a fully automated control system, design development of key components in cryogenic separation system, certification (Electrolysis Stack Component CE mark), validating the safety case for operation of electrolyser with independent parties and in early 2025 design finalisation of MFE220.

MFE110

A three-stage FAT was successfully completed at CPH2's test facility in Doncaster followed by subsequent electrolyser testing to 25 October 2024. This was signed off by Lagan MEICA Ltd and independently witnessed by ARUP (see page 2 for further information).

All the major components of the MFE110 are of full commercial size and accordingly the operation of the MFE110 has strong read across to the MFE220. The testing demonstrated commercial stack performance at 100% capacity and proof of the cryogenic gas separation step to produce qualified hydrogen and oxygen. It also demonstrated fully automated operation and testing of essential safety shutdown systems. Operational data was gathered on key unit operations to de-risk and validate the technology and enable refinement of design of the MFE220.

The success of the FAT was a validation of the engineering approach applied since 2023, with further progress being made in developing the operational team, procedures and methodologies for future deployment of the MFE220.

The unit was relocated to the customer site in Belfast in December 2024 and in Q1 2025, Levels 1 and 2 SAT were achieved. We expect the final Level 3 SAT with the next month. Operation in Belfast will demonstrate operation in a commercial environment, which will be another significant milestone for CPH2.

MFE220

The Company is making solid progress on the flagship 1MW system, the MFE220. The experience of the MFE110 completion to FAT, has helped the engineering team in refining the components and overall design.

Stack operational performance was characterised from the MFE110 test data, which has enabled design improvement to stack components to improve efficiency and reliability. In addition, the container layout has evolved, incorporating learnings from the MFE110 operation, for better operation and maintenance and to minimise mechanical and electrical assembly work at the customer's site.

Further development of the cryogenic system design was undertaken to improve the efficiency and capacity of the system. Work was carried out on thermal modelling of the cryogenic system and heat exchanger which has resulted in a revised heat exchanger design. Mechanical and thermal design of the heat exchanger has been completed with two alternative vendors, and manufacture of the heat exchanger has commenced.

With the modifications being made, the MFE220 bill of materials (a comprehensive register of components, component specifications and sub-assemblies) has been fully defined along with top level assembly drawings. The unit is currently in assembly stage with FAT expected in H2 2025.

Safety case

We have made substantial progress in developing the safety case of MFE technology, utilising the MFE110 as a proof statement. CPH2 has built a safety case to demonstrate compliance from a health and safety perspective for deployment of the electrolyser to a public utility. To meet the high standards which such a facility requires, industry standard safety approaches from the petrochemical industry were applied with the assistance and external verification of independent safety experts and consultants.

For the Layer of Protection Analysis ("LOPA") which defines the Safety Integrity Levels ("SIL") that we need to achieve for instrumented functions, appropriate equipment was selected and we conducted SIL verification calculations with assistance of external parties to ensure that the instrumented functions we have selected are consistent with values assumed in the LOPA. This ensures compliance with internationally recognised IEC-61511 Functional Safety for the Process Industry.

The Group contracted leading professional services firm WSP, to perform a Quantitative Risk Analysis ("QRA") to meet the high levels required for a public utility site which considered the CPH2 electrolyser and integration with refueller using occupancy assumption at the customer site. The QRA analysis successfully showed that risks were compliant to HSE requirements.

This has enabled CPH2 to safely operate the MFE110 at CPH2's test facility and obtain authorisation for operating the unit at a customer site. The work on developing the safety case has markedly improved our technology and has informed the design of the MFE220.

Compliance and Certification

As announced in June 2024, a CE mark under the Pressure Equipment Directive ("PED") was obtained for the CPH2 electrolyser stack by an independent notified body and component level CE marking has now been obtained for all electrolyser components for the MFE220. The global assessment of the MFE220 product for PED will be conducted after final electrolyser assembly.

Compliance relating to equipment and protective systems intended for use in potentially explosive atmospheres (ATEX) has been verified by an independent body for the MFE110 test unit and will be conducted for the MFE220 as part of the commissioning process. This will allow CPH2 to give a CE mark indicating conformity with the ATEX Directive.

Outlook

As we look ahead, our immediate focus is on completing the MFE110 SAT proving technology operation in a commercial environment, while also completing the first MFE220, which includes having a verified customer witnessed FAT, and delivering to customer for SAT. This is an important milestone and first deployment of our flagship commercial product.

Beyond the immediate milestones, there is significant scope to improve the performance of the MFE220 while reducing the build costs. With the insights gained, we see opportunities to further improve unit efficiency, which will be explored. The first MFE220 has absorbed the cost of manufacturing first-time components and the schedule has been prioritised over component cost. Now that a bill of materials has been established as a baseline, we see significant opportunities to decrease this in engineering design and through the supply chain.

The MFE220 1MW system is CPH2's market entry point, but there is scope to scale the MFE technology and we plan to commence the design of a larger product that can achieve improved economies of scale and a lower Levelised Cost of Hydrogen.

Embarking on the Commerciality Phase

The long-term market opportunity for hydrogen remains strong and the business case for its application becomes more clearly defined.

The advent of artificial intelligence has dramatically increased the demand for data centres, and as result the projected demand of green energy to power these data centres is expected to double in the next five years according to the International Energy Agency. Such increase in demand underscores the need for electrolysers capable of efficiently converting variable green electricity to hydrogen for long duration energy storage.

Our MFE technology is well positioned to be a market leader in this respect with strong competitive advantages in directly coupling with variable renewable energy sources combined with reliable operation.

The market is still in its early days, with projects often assisted by government support or mandates. Despite the recent geopolitical challenges we see strong continued support from the EU and UK. This was most recently demonstrated on 7 April 2025, with the UK Government proceeding to shortlist 27 hydrogen projects in its Hydrogen Allocation Round 2, which is expected to attract over £1bn private sector investment by 2029. Practical challenges persist in green hydrogen projects, including immature technology being deployed before it is fully proven, commissioning difficulties, reliability issues with electrolysers or uncertain customer demand.

We believe that our proposition of reliable operation alongside a strong safety case is a key competitive advantage and the investment and time in getting the technology right will pay strong dividends in the future.

A near-term market opportunity

We see an exciting near-term opportunity in the island of Ireland. In Northern Ireland, 43% of energy consumption is based on renewable sources and, in the Republic of Ireland, it was 39% in March 2025. Both Governments are targeting to that 80% of energy will be provided by renewables by 2030, meaning that long duration energy storage will be crucial in alleviating the cost of curtailment.

We have strong links into both sides of the border, which we look to crystallise in the commerciality phase. Commerciality Phase. As detailed on page 4, the sale of an MFE220 and the licence agreement with Hidrigin establishes a manufacturing and operational presence in Ireland via our partner, focusing on hydrogen production utilising solar power for offtake in Ireland including data centres. The Company's first customer was Northern Ireland Water, and the MFE110 currently in Belfast will be the first production of high purity hydrogen and oxygen being generated reliably from a scaled electrolyser in Northern Ireland.

Global deployment through our licensees

Licensing our technology is a capital-light approach to scale enabling geographical reach in a more accelerated pace. One of the less discussed benefits from licensing is the ability to lever the sales teams of our licensees who are more in tune with local opportunities and more tactical in addressing local markets.

Kenera Energy Solutions, part of Helmerich & Payne (previously KCA Deutag), our longstanding partner and strategic investor, has factory capacity in Germany and Oman for MFE manufacturing. Fabrum Solutions, a well-known leader in cryocooling technology based in New Zealand, also has rights to manufacture and sell in Australia and New Zealand.

A key milestone in our Commerciality Phase is the activation of our existing licensees, and documentation has begun to be shared with our licensees as a precursor to them beginning to manufacture electrolysers.

Own manufacture

CPH2 has four contracted sales for 1MW MFE220 electrolysers, the first of which is to Northern Ireland Water. We expect to complete the FAT in the second half of 2025 with the Site Acceptance Test in H1 2026, which is when the revenue will be recognised. The FAT of the MFE220 will be another historic milestone for the Company, being the first CPH2 1MW electrolyser completed and operational.

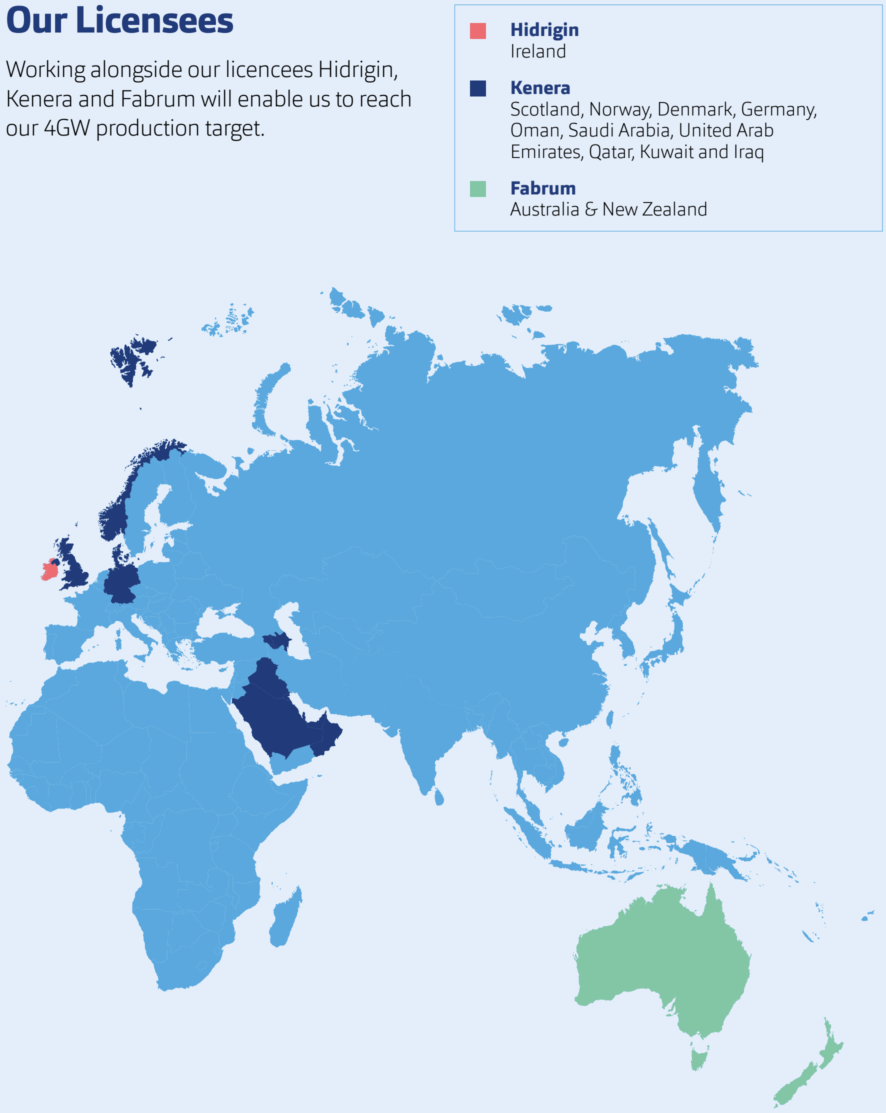
Our commercial pipeline demonstrates opportunities within reach across a range of geographies, including the island of Ireland, the UK and continental Europe. A key goal in the Commerciality Phase is to grow and crystallise the commercial pipeline, particularly around the island of Ireland. We are delighted that Richard Scott will be joining CPH2 as Chief Commercial Officer whose appointment is well timed to drive and refine our commercial opportunity, including pursuing new licensees in regions in which we do not yet have coverage.

Outlook

The Commerciality Phase covering 2025 and into 2026 and is an important period with a strong focus on our route to market, defining where we deliver our first commercial system, generate first revenues, activate our licensees whilst growing and crystallise our commercial pipeline. We are excited by the appointment of Richard Scott as we continue our drive and energy are channelled towards this Commerciality Phase.

Our Licensees

Working alongside our licencees Hidrigin, Kenera and Fabrum will enable us to reach our 4GW production target.



Creating value for our stakeholders

CPH2 is a UK-based technology and manufacturing company focused on the commercial production of green hydrogen in a simple, safe and sustainable manner using its IP-protected MFE technology. The Company is headquartered in Doncaster, UK, where the site of its current manufacturing and research facilities are located.

Our purpose

To reduce the creation of harmful emissions by participating in the growth of the hydrogen economy.

We are passionate about green hydrogen as clean energy for the future, and our mission is to become the leading developer and manufacturer of green hydrogen technologies in order to reduce the creation of harmful emissions.

This mission is supported by the Group's value pillars, which it has instilled in the business and its employees, with a focus on acting with integrity, deploying expertise and remaining customer-centric at all times.

The production of hydrogen through our MFE technology is central to the Company's proposition, which has demonstrated cost efficiencies, operational efficiencies and technological advantages over existing alternative hydrogen technology offerings in the sector.

Our strategic objective is to deliver the lowest Levelised Cost of Hydrogen ("LCOH") in the market with reliable technology capable of providing hydrogen from variable green power sources efficiently.

We recognise that whilst the long-term opportunity of green hydrogen remains very strong, over the last 12 months world developments and challenges within the green hydrogen sector has changed the near-term outlook. It is clear that near-term sector growth will remain dependent on government financial support, and therefore underlying sector growth will be specific opportunities within different countries and regions. The nuanced nature of growth in the hydrogen sector presents significant opportunities, and it also poses challenges for which the Company is well placed to meet.

To meet our strategic objectives and being aware of the challenges to remain adaptive to specific opportunities, we intend to capitalise on the Company's patent protected, differentiated technology by pursuing a two-pronged strategy – licensing to acceptable manufacturing partners in diverse geographies as well as our own in-house manufacturing.

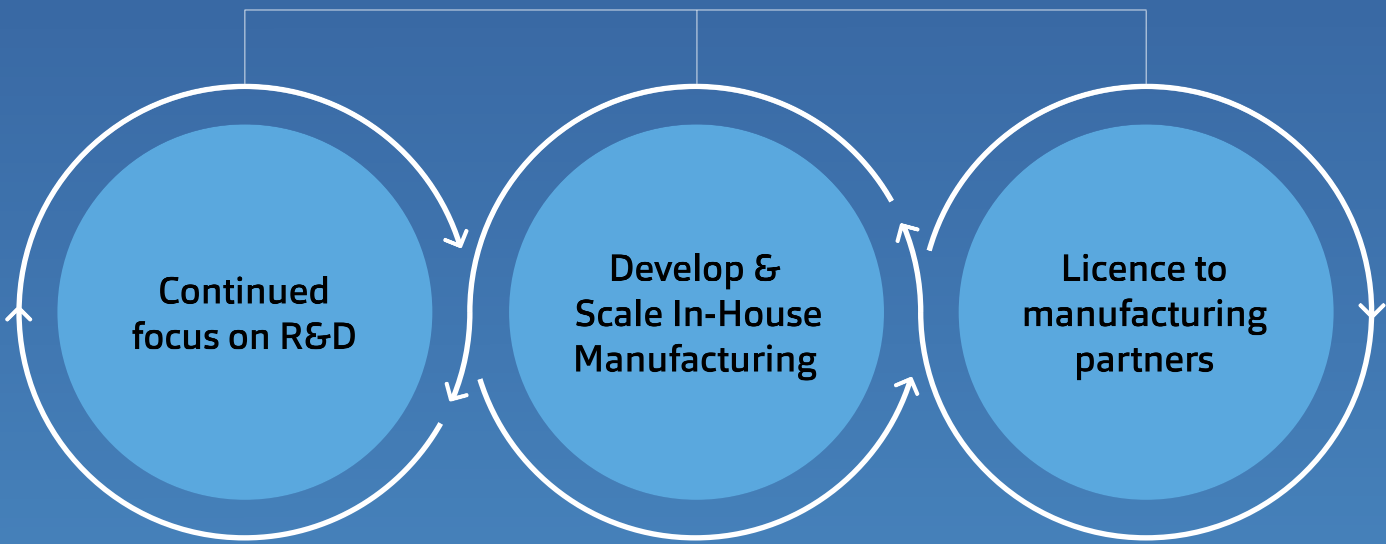
By leveraging the skills and capabilities of partners with substantial experience in manufacturing advanced engineering products in different parts of the world, the dispersion of CPH2 electrolysers to market can be accelerated at pace and targeted to different specific regional opportunities, that would not be possible were we to manufacture only by ourselves, thus supporting the global energy transition. In this way we can adapt and optimise the pace of growth required to meet the commercial opportunities available.

Licensing is capital-light, enabling scaling on a reduced capex and opex basis which de-risks the scale-up from a cash flow perspective. Risks involved in manufacturing scale up are substantially diversified, geographically and across multiple partners, with CPH2 focused on ensuring quality and reducing build cost through greater economies of scale in the supply chain.

The third key element of our business model is the continued focus on Research & Development ("R&D") to increase operational efficiencies, improve longevity and reliability of our products, and further reduce build costs.

Strategy

Business Model



In order to

- Increase operational performance & safety
- Improve longevity & reliability
- Streamline build costs
- Broaden market application

In order to

- Accelerate the supply of CPH2 electrolysers to market
- Support the global energy transition
- Support our partners
- Build product portfolio

In order to

- Leverage the skills and capabilities of partners
- Accelerate the supply of CPH2 electrolysers to the worldwide market
- Generate revenue quicker

Focused capital allocation, tight control on spend

2024 was a formative year for the Company. Achieving the FAT of the MFE110 and proving the MFE technology works at scale was an important juncture in the Company's journey to fully exploiting its unique and disruptive technology.

Introduction

This technology milestone was a catalyst to conclude the new sales contract and licence agreement with Hidrigin. Following this, the Company embarked on and successfully completed an equity fundraise, receiving gross proceeds of £6.4m (£5.7m net proceeds). During the year, CPH2's capital allocation was focused on activities necessary for the delivery of the MFE110 while tightly controlling expenditure on all other activities.

Review of financial statements

The Company incurred a loss of £14.4m for the 2024 financial year (2023: £4.1m) which reflects one-off impairments of £9.1m relating to capitalised development costs, inventory and property, plant and equipment, further discussed below.

Other operating income

A prior year grant of £0.3m previously, treated as deferred revenue, has been recognised as other operating income during the year in line with the impairment of costs associated with that grant. Refer to impairment of capitalised development costs discussed below.

Administrative expenses

For the 2024 financial year, administrative expenses were £5.7m (2023: £5.4m). The increase was mainly due to staff costs (an increase of £0.4m year-on-year) as more expenditure was incurred on overtime and temporary staff in the pursuit of the MFE110 FAT. All overheads were tightly controlled during the year.

Onerous contract

Subsequent to the renegotiation in October 2024 of a sales contract for the delivery of an electrolyser, the Group has reviewed the revised economic benefits against expected costs and has determined that the sale contract meets the criteria of an onerous contract under IAS 37 Provisions, Contingent Liabilities and Contingent Assets. Accordingly, £0.9m of inventory relating to the project was impaired and a provision for future losses of £0.5m was recognised. The Board believes that first delivery of a commercial 1MW system (MFE220) is important in demonstrating the competitive advantages of the MFE technology to the market and will assist in crystallising the commercial pipeline. Therefore, strategically the benefits from completing the sales contract outweigh the financial loss associated with its delivery.

Impairments and stock write downs

Impairments of £9.1m have been recognised for the year ended 31 December 2024. The successful operation and FAT of the MFE110 in September 2024 was an independently verified final proof of the design, build and procedures required for the MFE technology to work at scale. This new and verified knowledge is considered the technical basis for all scaled MFE electrolysers going forward, surpassing previous understanding and work undertaken, which in turn highlights potential replication and redundancy of prior activities. Accordingly, the Group has reviewed the development costs that have been capitalised up to 31 December 2024 and identified that £5.6m representing prior period activities does not have value going forward, which accordingly has been impaired. Demonstrator equipment held within property, plant and equipment is not expected to be completed and, accordingly, a further impairment of £1.1m was recognised.

The successful operation of the MFE110 has also informed the design modifications of the MFE220, CPH2's 1MW commercial system. Due to the changes in design, certain components historically purchased and held in inventory are no longer applicable to the electrolyser builds going forward, resulting in an inventory write-down for obsolete stock of £1.5m. In addition, inventory of £0.9m relating to an onerous contract (discussed above) has been impaired, being above the net realisable value.

Taxation
R&D tax credits accrued for the financial year were £0.5m reflecting £0.1m received from amending a prior year claim and a £0.4m accrual for the 2024 R&D tax credit. The comparative financial year was the first year in which the Group recognised R&D tax credits on an accrual basis and as such the taxation credit of £1.0m reflected an accrual of £0.5m R&D tax credit for the 2023 financial year and the receipt of £0.5m R&D tax credit relating to the 2022 financial year.

Capitalised development costs
Capitalised development costs incurred during the year was £2.7m (2023: £2.6m). This reflects the focused effort on the MFE110 leading up to the Factory Acceptance Test as well as continued design effort on the MFE220 system.
As discussed above, an impairment of £5.6m was recognised for capitalised development costs. As at 31 December 2024 the recognised capital development costs was £4.3m (2023: £7.3m).

Cash
Cash and term deposits as at 31 December 2024 was £0.3m (2023: £8.5m). On 8 January 2025, the Company received £5.7m net proceeds following the completion of an equity fundraise.

Operating expenditure was carefully managed throughout the year. Operating net spend was £5.9m (2023: £2.6m), up by £3.3m. This increase is mainly due to changes in working capital, including an unusually high VAT claim of £1.6m accrued as at 31 December 2022 and received in 2023.

The net cash inflow from investing activities of £3.7m (2023: £3.0m) reflects the utilisation of term deposits (£6m) and sale of investments (£0.7m) to support the Company's activities, less cash spend on development work and patent applications of £2.8m (2023: £2.8m).

Going concern

On the 18 December 2024, CPH2 launched an equity fundraise seeking £6m in investment to support the Company in achieving its next milestones. The fundraise successfully completed on 8 January 2025, raising £6.4m gross proceeds (£5.7m net proceeds), supported by new and existing investors.

Upon reviewing the financial forecasts and carefully considering a number of scenarios, it has been determined by the Directors that further funds will be required in order to remain a going concern. The Group is focused on actively seeking new potential pools of funding sources, making strong progress achieving its short-term objectives to significantly enhance shareholder value whilst remaining focused on capital efficiency.

After careful consideration, the Directors have a reasonable expectation that further funds required during the going concern period will be obtained in order for the Company to remain as a going concern for the foreseeable future. Accordingly, the financial statements for the year ended 31 December 2024 have been prepared on a going concern basis; however, the Board recognises that material uncertainty exists which may cast doubt on the Group's ability to continue as a going concern. Refer to note 1 to financial statements for further information.

Outlook

With the completion of the MFE110 FAT in September 2024, the Company has moved into a Commerciality Phase where activities are focused towards milestones specifically focused on tangible commercial progress. This includes completion, testing and delivery of the Company's first commercial product, the MFE220 1MW system, which is due to be Factory Acceptance Tested in H2 2025. CPH2 will also be focused on activating the Company's existing licensees in line with its asset-light commercial strategy, while crystallising and expanding its commercial pipeline. Conscious of CPH2's limited resources, these activities will be undertaken in a capital efficient manner, keeping costs tightly controlled.

James Hobson
Chief Financial Officer

30 April 2025

Sustainable, to the core

At CPH2, sustainability is not just a word, it's a fundamental part of our identity. Our commitment to sustainability is evident in our vision to empower generations with clean energy for the future. This vision is a lofty goal and a driving force behind our values and ambitions.

While concerns surrounding environmental sustainability and the pressing need for a shift towards cleaner energy sources continue, our unique MFE technology emerges as a game-changer.

This technology, which produces green hydrogen and high-grade oxygen, is poised to reshape the energy sector, and accelerate the energy transition required to reach net zero goals.

We take pride in our innovative solutions that contribute to a sustainable future. As a company with high-growth ambitions that pursue the decarbonisation of the energy system, we are committed to embedding environmental, social, and governance considerations across the business and our products.

As a commercially young business, we are enthusiastic about empowering employees and building a company with a diverse and engaged team. Staff initiate and lead a broad range of community activities, including career advice for students, raising funds for charities and promoting Doncaster as a hydrogen hub to enhance employment opportunities in the region. Identifying, nurturing, and retaining the right balance of skills and talent will be central to delivering on the ambitions of the Group.

The Board is committed to investing in skills for the future. CPH2 works with local providers to bring apprentices and placement students into the business whilst also entering arrangements with Queen's University Belfast to encourage academic research in the hydrogen economy.

Green Economy Mark

CPH2 continues to hold the London Stock Exchange's Green Economy Mark, a symbol that recognises companies that derive 50% or more of their total annual revenues from products and services contributing to the global green economy.

Our contribution to the Sustainable Development Goals

Our activities positively align closely with the UN 2030 Agenda for Sustainable Development – Sustainable Development Goals ("SDGs"). We are committed to impacting the three identified goals (below) where we have or will have the most significant effect as a global business.

7 AFFORDABLE AND CLEAN ENERGY

Goal 1 – Affordable & Clean Energy
Designing and building an electrolyser which does not require costly platinum group metals reduces the cost to build, cost to the purchaser and ultimately the cost of hydrogen at the usage point.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Goal 2 – Industry, Innovation & Infrastructure
Our electrolysers play a crucial role in decarbonising industrial processes through hydrogen by providing the technology to upgrade existing infrastructure and retrofit industrial plants to be more sustainable and efficient in resource use.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Goal 3 – Responsible Consumption & Production
With the need to replace fossil fuels, we have developed a more sustainable method of producing hydrogen, reducing our carbon footprint and that of our end-users who distribute our products.

Charity

Our commitment to the local community and environment is visible through our work with regional charities. Each year, our employees nominate a charity for the following year's fund-raising activities, with everyone having a say in the selection. This initiative has had a significant impact on the community, with CPH2 supporting Sands Child Loss and Bereavement Charity (Sheffield) throughout 2024, raising £4,000 in the process. This financial support will enable the charity to help more bereaved families in Doncaster, Sheffield and surrounding areas.

Raising money is just one way we can get involved with the community. As the business grows, we intend to consider how we can give more back to the region, such as volunteer days for activities, including DIY tasks for community projects, litter picking, and public space maintenance.

Education

Learning for life is key, both inside and outside of the business. We actively encourage our staff to identify the skills gap for their career at CPH2 and within their teams, building on their knowledge and experience. Upskilling and recruitment are a priority as we continue to grow the business. CPH2 and the wider hydrogen industry will need more employees if we are to reach the UK Government's ambition of 5GW hydrogen production capacity by 2030. We are committed to investing in our employees' knowledge and development, ensuring they have the skills and ability to succeed in their roles and contribute to the growth of the business.

Strengthening education for our staff is also key. We continue to encourage training and qualifications for our employees that are relevant to their current role, quite often sponsoring university education, recruiting apprentices and graduates in roles such as process engineering.

But it's not just about employee learning. We pride ourselves on partnering with academia within the community. Our dedicated STEM Squad are out and about within the community, talking about sustainability and renewable energy. We regularly exhibit at Get Up to Speed with STEM at the Magna Science Adventure Centre in Rotherham. In 2024, the event organised by The Work Wise Foundation welcomed more than 5,500 students from across the South Yorkshire region for the one-day event.

We also regularly contribute to mock interview days with local schools and colleges as well as exhibiting at careers fairs for Doncaster UTC (University Technical College). Students as young as six are also encouraged to join in with experiments we create when we are invited along to local schools.

Recognition

It is important for the Company to recognise our employees for their contribution to the business both internally and to the wider external stakeholder. In 2023, we introduced the Power of You Award which recognises an employee who has gone beyond the responsibilities of their role within the business or who has made an outstanding contribution to the community. This award is an expression of our appreciation for our employees' hard work and dedication. Nominations are received from employees themselves and are judged by a panel of three from the senior management, Finance and Commercial departments.

Externally, we are also proud to acknowledge the recognition awarded to our employees by organisations such as hydrogen associations and other forums for diversity and inclusivity. In October 2024, Lab Supervisor Bridie Haxby was shortlisted for the Women in Green Business Awards, which celebrates women who contribute to the transition to a low-carbon economy across many sectors. Women in STEM remains unbalanced and under-represented in senior roles. The Women in Green Business Awards showcases companies, like CPH2, that are committed to tackling gender inequities and promoting diversity and inclusivity.

Fit for purpose

The Company achieved recognition by the Nuclear AMRC (Advanced Manufacturing Research Centre) under the Fit for Hydrogen ("F4H2") programme in April 2024. This recognition acknowledges that CPH2 has undergone a business improvement and sector-specific learning journey to enable the business to deliver excellence to the hydrogen sector. The status is valid for up to three years. The AMRC's "Fit For" programmes are designed to help suppliers improve their business. These programmes evaluate companies based on various quality and business excellence measures.

Under the mandate of Section 172 of the Companies Act, the role of a director of the company is pivotal. They are not just required to act in good faith, but to actively advance the success of the company, for the benefit of the shareholders.

In doing so, the Directors must have regard, amongst other matters, to the following issues:

- the likely consequences of any decisions in the long term;
- the interests of the Company's employees;
- the need to foster the Company's business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and environment;
- the Company's reputation for high standards of business conduct; and
- the need to act fairly between members of the Company.

The Board of Directors is, collectively, responsible for the decisions made towards the long-term success of the Company and details of how the strategic, operational and risk management decisions have been implemented throughout the business are included throughout the Strategic Report (pages 2 to 25).

Our strategy is focused on driving meaningful growth for CPH2, which benefits our employees, manufacturing and supply chain partners, and shareholders, while also empowering our customers to produce green hydrogen – a key contributor to the global transition to net zero.

In turn, this creates a positive impact and contributes to a more sustainable future for our community and those of all our stakeholders.

We are committed to being a responsible business, ensuring that our operations create long-term value for all stakeholders. By integrating strong governance, ethical practices, and sustainability into our strategy, we strive to make a positive impact on our employees, communities, and the environment while driving sustainable growth.

Our employees

Our employees are talented, diverse and the primary asset of our business. As highlighted in the Chief Executive's Review, our employees are fundamental to both the delivery of our strategy, whilst upholding our reputation and positively contributing to the communities in which CPH2 operates. They embody the values and purpose of the Company, and their actions are guided by the goal of enhancing the societies where CPH2 operates while upholding the Company's reputation. The health, safety, and wellbeing of our employees are of utmost importance. We prioritise an inclusive, supportive, and engaging workplace that offers challenges, and opportunities for growth. We encourage teamwork and innovative thinking and commend those who go above and beyond their roles and responsibilities, both in the workplace and the community.

The Board recognises the importance of providing a safe and healthy working environment for all employees and stakeholders. Health & Safety remains a top priority, with regular training, risk assessments, and compliance reviews to ensure best practices are upheld. We continue to engage with employees, regulators, and industry bodies to foster a culture of safety and well-being, reinforcing our commitment to responsible business practices. The Company recently retained ISO 45001:2018, which required a review of the health & safety management system.

The Company also successfully completed the two-day ISO 14001:2015 Environmental Management System surveillance audit and has retained the certification. CPH2 has also received the ISO9001 recertification.

We operate an open-door policy, fostering active engagement across all levels and teams, including the Senior Leadership Team within the organisation. Communication is a strong focus both internally and externally with weekly meetings as well as presentations involving the entire organisation to ensure our employees are well-informed, feel included, and have a voice. There are quarterly employee newsletters to celebrate Company achievements, welcome new starters, recognise employees making a meaningful contribution and championing the Company's strong charitable focus. We provide everyone with the services of an independent, third-party advisory service for all HR matters or concerns.

Suppliers, customers and manufacturing partners

The Board acknowledges that a strong business relationship with suppliers, customers and manufacturing partners is a vital part of growth. Whilst day to day business operations are delegated to the executive management, the Board sets the direction with regards new business ventures.

We maintain regular engagement with customers and their contracted consultants, fostering a transparent and high-trust environment. By actively listening to our customers, we gain a deep understanding of their needs and objectives, allowing us to tailor our offering accordingly. Our manufacturing partners are kept fully informed of all developments, ensuring strong collaboration across all CPH2 departments.

A partnered approach to our key suppliers is an important aspect of our ability to obtain efficient procurement and grow the supply chain strategically.

Regular meetings are held with suppliers in our supply chain network to ensure that the relationships are collaborative and take into account respective needs.

The Board upholds ethical business behaviour and encourages management to seek comparable business practices from all suppliers, customers and manufacturing partners doing business with the Company. We value the feedback we receive from our stakeholders, and we take every opportunity to ensure that, where possible, their wishes are duly considered.

Community and environment

CPH2 is committed to upholding its social and environmental responsibilities, ensuring a positive impact on the communities in which we operate. Sustainability is a fundamental part of the CPH2 vision, and this is echoed in the approach we take to community engagement. We undertake regular activities for and with the community, including the promotion of the Doncaster area as a hydrogen hub to enhance employment opportunities in the region, providing career advice to students around STEM subjects, and employee-led local charitable activities.

We are committed to expanding opportunities for young people in South Yorkshire and offer apprenticeships and work placements to support the next generation and to increase employment prospects in the region. We also partner with Queen's University Belfast to promote academic research in the hydrogen economy.

Our commitment to sustainability goes beyond our products – it shapes the way the Company is run. We support eco-friendly commuting through cycle-to-work schemes, promote hybrid working to reduce vehicle emissions, and provide EV charging points to minimise the environmental impact of commuting and business travel.

Shareholders

The Board is committed to openly engaging with all shareholders and recognises the significance of transparent and effective communications with its investors. As an AIM quoted company, there is a need to provide fair and balanced information in a way that is understandable to all stakeholders and, particularly, our shareholders.

The primary communication tool with our shareholders is the Regulatory News Service on regulatory matters and matters of material substance. The Company's website provides details of the business, investor presentations, the Board and Board Committees, changes to major shareholder information, QCA Code disclosure and updates under AIM Rule 26. Changes are promptly published on the website to enable the shareholders to keep abreast of the Company's affairs. The Company's Annual Report and Notice of Annual General Meetings are available to all shareholders. The interim results and other investor presentations since we listed on AIM are also available and can be downloaded from our website. In addition, the Company regularly communicates on social media and shareholders can register to be alerted via email when material announcements are made.

There are opportunities throughout the year for shareholders to engage with the Board through General Meetings, investor events and email directed questions. In particular, the AGM offers shareholders the opportunity to ask questions and present their views. The Board acknowledges that encouraging effective two-way communication with shareholders ensures appropriate consideration of shareholders' views and instils trust and confidence to allow informed decisions to be made by the Board.

Maintain high standards of business conduct.

The Company is incorporated in the UK and governed by the Companies Act 2006. The Company has adopted the Quoted Companies Alliance Corporate Governance Code 2023 (the "QCA Code") and has set out an explanation in the Corporate Governance Statement of how it complies with the principles of the QCA Code. The Board recognises the importance of maintaining a good level of corporate governance, which, together with the requirements to comply with the AIM Rules, ensures that the interests of the Company's stakeholders are safeguarded.

The Board is committed to maintaining the highest standards of ethics and integrity and the Company has a Code of Conduct, an Anti-Bribery and Corruption Policy and a Modern Slavery Statement. There are also policies and procedures relating to whistleblowing which state the Company's commitment to conducting its business with honesty and integrity, its expectation that staff will maintain high standards, and enable staff to confidentially raise any concerns freely, and to discuss any issues that arise. The Board has appointed the Chair of the Audit Committee as the Company's Whistleblowing Officer.

The Board recognises the importance of robust financial controls in ensuring the Company operates efficiently, mitigates risk, and safeguards stakeholder interests. To maintain financial integrity and accountability, the Company has established well-documented financial processes that support effective decision-making and long-term value creation. The Governance section on page 26 details our approach, providing stakeholders with a clear understanding of our commitment to responsible business practices.

Jon Duffy
Chief Executive Officer
On behalf of the Board

30 April 2025

The Board is responsible for the Group's risk framework and aims to ensure that the Group's ability to achieve its objectives outweighs its risk exposure.

However, the Group's risk management programme can only provide reasonable, but not absolute, assurance that principal risks are managed to an acceptable level. The Audit Committee assists the Board in monitoring the effectiveness of our risk management and internal control policies, procedures, and systems. The Board actively assesses risk, with management and mitigation of risks discussed at every Board meeting.

The Executive Directors are responsible for identifying, managing, and mitigating the risks to the Company. The Board and its Audit Committee review key risks and mitigations and the Audit Committee subsequently makes recommendations to the Board as to changes in the Group's risks which are then included in the Annual Report.

The Group's principal business risks and mitigation actions are set out below. This summary is not intended to include all risks that could ultimately impact our business and the risks are presented in no particular order.

Risk	Mitigating procedures
Core technology	
The Group's business is dependent on successful operation of the MFE working efficiently, safely, reliably and in accordance with regulations.	Strong progress has been made during 2024 to substantially derisk the MFE technology. Scaled MFE technology was successfully operated with the MFE110 meeting targeted parameters and a final Factory Acceptance Test validated by independent parties. The operational data combined with the experience gained, has reaffirmed the key characteristics of the MFE technology. The safety case of the MFE technology has also improved substantially, and the MFE110 was compliant to IEC-61511 Functional Safety for the Process Industry. Further operation of MFE technology is expected to affirm the expected reliability of MFE units.
Intellectual property	
The Group's success depends in part on its ability to protect its rights in relation to its intellectual property.	Patents, trademarks and contractual provisions including current, and former employees and contractors are undertaken to preserve the Group's intellectual property rights. Research and development work is reviewed regularly to identify potentially patentable technology designs. An international patent is sought for technology followed by national patent applications in countries deemed applicable, which is reviewed on a periodic basis.
Supply chain	
The Group's ability to deliver against its strategy depends on its ability to secure raw materials and components on commercially acceptable terms and within commercially acceptable timeframes.	Suppliers are chosen for their expertise, reliability and ability to deliver on time. The Group sources components and materials from local suppliers where possible. The Group is reliant on certain key suppliers and we have worked closely and proactively with key suppliers to ensure open communication and advance knowledge of any issues. In 2024, work continued on CPH2's supply chain network to reduce the risk of being dependent on any one supplier, and this will continue to be a focus for 2025.
Scale-up	
The Group's ability to scale manufacturing is key to meeting customer demand and future profitability.	The Group has a two-pronged strategy in respect of commercialisation and manufacturing, where manufacturing is licenced to partners as well as undertaken by CPH2's in-house capacity. A key feature of licence agreements with Kenera Energy Solutions and Fabrum Solutions, is the ability for CPH2 to request the licensees to manufacture for a CPH2 sale. This ensures the Group is not restricted by its own manufacturing capacity. Further work was undertaken during the year to in preparation for a streamlined production process, including completing the standard operating procedures for production and developing an integrated management system.
Financial	
The Group requires sufficient funds in order to finalise development and see through early stages of scale-up.	Cash spend is closely monitored, alongside improved internal reporting and clear responsibilities to ensure cash is carefully managed. Expenditure is targeted only on necessary activities and all other non-essential expenditure has been curtailed. Regular cash forecasting and reporting to the Board ensures notice of any funding requirement would be identified well in advance. As detailed in the Financial Review, and note 1 to the financial statements, further funds will be required in order for the Group to remain operating as a going concern, and whilst there is reasonable expectation that the further funds will be obtained, material uncertainty exists which casts doubt on the ability for the Company to remain as a going concern.
Competition and commercialisation	
Retaining the Group's competitive advantage is necessary for its electrolysers to be commercially attractive.	The successful operation of the MFE110 has resulted in data and first operating experience of scaled MFE technology. The results reaffirmed the key characteristics of the MFE technology, and as noted in the Technology Review, workstreams will be started to reduce the build costs as well as operational efficiency. Furthermore, there is scope to scale the MFE technology and in 2025 we plan to commence the design of a larger product that can achieve greater economy of scale and lower Levelised Cost of Hydrogen.
Actions of licensees	
As licensees will be producing CPH2 products, CPH2 can be exposed to the actions of its partners.	Agreements signed with all manufacturing partners, including the licence agreement with Hidrigin signed during 2024, give CPH2 rights to full and close oversight of all operations, and commercial activities in respect to CPH2 electrolysers built by them. In addition, the agreements contain warranties and guarantees, requirement for levels of insurance as well as carefully identifying legal responsibility in respect of the actions of the partners.

A strong, active and engaged Board

As Non-Executive Chair, my role is to work alongside my fellow Board members to uphold high governance standards and ensure the Company has robust structures and processes that enable effective decision-making and management of risk.

This Governance section of our report outlines the Company's comprehensive governance framework, designed with clearly defined responsibilities and accountabilities to safeguard long-term shareholder value.

The Board fully endorses the importance of good corporate governance and has applied The Quoted Companies Alliance ("QCA") Corporate Governance Code (2018) as updated in 2023 (the "2023 QCA Code"), which we believe is the most appropriate recognised governance code for a company with shares admitted to trading on the AIM market of the London Stock Exchange. The Company has chosen to comply as far as possible with the 2023 QCA Code to maintain the highest possible standards of governance.

The 2023 QCA Code provides a robust framework to support the Company in upholding strong governance, embedding its governance culture, and building a successful and sustainable business for the benefit of all stakeholders.

The QCA has ten principles which the Company is required to adhere to and to make certain disclosures both within this report and on its website. The Board has reviewed its compliance with the provisions of the 2023 QCA Code and made appropriate changes to its practices and reporting in order to comply, as far as possible, with the 2023 QCA Code. The Company's website disclosures can be found at www.cph2.com/about/corporate-governance.

The Directors recognise the value and importance of high standards of corporate governance and that these are in the best interests of all stakeholders. The Corporate Governance Statement below details the structures, processes and procedures the Board has established to uphold these standards across the Company.

Chris Train
Chair

> "The Directors recognise the value and importance of high standards of corporate governance and that these are in the best interests of all stakeholders.

The ten principles of the 2023 QCA Code are:

1. Establish a purpose, strategy and business model which promote long-term value for shareholders.
2. Promote a corporate culture that is based on ethical values and behaviours.
3. Seek to understand and meet shareholder needs and expectations.
4. Take into account wider stakeholder interests, including social and environmental responsibilities, and their implications for long-term success.
5. Embed effective risk management, internal controls and assurance activities, considering both opportunities and threats, throughout the organisation.
6. Establish and maintain the board as a well-functioning, balanced team led by the chair.
7. Maintain appropriate governance structures and ensure that individually and collectively the directors have the necessary up-to-date experience, skills and capabilities.
8. Evaluate board performance based on clear and relevant objectives, seeking continuous improvement.
9. Establish a remuneration policy which is supportive of long-term value creation and the company's purpose, strategy and culture. Note: this is a new principle, which reflects previous QCA guidance published in 2020.
10. Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other key stakeholders.

The Board

The Board of Directors

Chair

Chris Train
Independent Non-Executive Chair

Executive Directors

Jonathan Duffy
Chief Executive Officer

James Hobson
Chief Financial Officer

Non-Executive Directors

Natalie Fortescue
Independent Non-Executive Director

Rick Smith
Independent Non-Executive Director

The Senior Leadership Team

Jonathan Duffy
Chief Executive Officer

James Hobson
Chief Financial Officer

Arash Selahi
Chief Operating Officer

Paul Cassidy
Chief Technical Officer

Joe Scott
Managing Director, CPH2 Ireland

Principal Committees

Audit Committee

Membership:
Natalie Fortescue (Chair)
Rick Smith

Remuneration Committee

Membership:
Rick Smith (Chair)
Natalie Fortescue
Chris Train

A broad balance of skills and experience

Chris Train OBE
Independent Non-Executive Chair

Appointed: 2022

Experience & expertise:
- Experienced board member and chief executive officer
- Proven track record of delivery working in the energy and utilities industries
- CEO, Cadent Gas Limited and National Grid Gas Distribution Limited
- Chair, NetGas Health Safety and Environment Committee
- Chair, Nuclear Decommissioning Authority

Other commitments:
- Chair of Sellafield Ltd
- Director South East Water Limited
- Executive Director, CT Energy

Jonathan Richard Duffy
Chief Executive Officer

Appointed: 2021

Experience & expertise:
- Tasked with taking CPH2 from a start-up green technology company through to full commercialisation and beyond
- Successfully led CPH2 through an IPO and listing on LSE AIM in nine months
- Executive roles in agriculture and the food and drinks industries
- Performance improvement of SME's, multi-national and FTSE 100 companies

Other Commitments:
- Non-Executive Director, Unibio International plc

James Hobson
Chief Financial Officer

Appointed: 2022

Experience & expertise:
- Expertise from across the energy sector through his work with AIM-listed and private companies
- Fellow of Chartered Accountants Australia & New Zealand
- Continuous improvement mindset, coupled with leading investor relations and managing AIM responsibilities
- Direction of finance teams, acquisitions and divestments, due diligence and appraisals, and multiple fundraising efforts
- Advising boards on funding, financial, strategic, investor relations, corporate governance, and operational matters

Other Commitments:
- None

Natalie Jayne Fortescue
Independent Non-Executive Director

Appointed: 2022

Experience & expertise:
- Over 20 years advising companies on corporate finance transactions, fundraising, strategy, debt refinancing and restructurings, investor relations and the impact of corporate transactions on stakeholders
- A chartered accountant and experienced capital markets professional
- Premier Oil plc, Various corporate finance roles
- Genel Energy plc, Head of Investor Relations
- Corporate Broker, Oriel Securities (now Stifel Europe)
- Investec, Investment Banker

Other Commitments:
- Director, Serinus Energy plc
- Director, Futh Consulting Limited
- Trustee of Great Britain Wheelchair Rugby Limited

Rick Brent Smith
Independent Non-Executive Director

Appointed: 2021

Experience & expertise:
- Professional Accountant, with background in manufacturing
- Consultancy with Private Equity Houses, advising on their M&A activity and business consolidation across Europe and North Africa
- Turnaround lead, including numerous acquisitions/divestments and commercial development across US, Europe, and Asia manufacturing facilities
- Chesapeake Ltd, CFO
- Experienced Managing Director, various companies
- Multi Packaging Solutions ("MPS") Executive Vice President and member of the Operating Board responsible for the Asian Operations, Corporate Development, and the Innovation Group

Other Commitments:
- Director of Shireoaks Property Ltd
- Director of RBS Enterprises (Southwell) Ltd
- Director of Southwell Property Services Ltd
- Director of Poplars Advisory Limited

Key

- A Audit Committee member
- A Audit Committee Chair
- R Remuneration Committee member
- R Remuneration Committee Chair

SENIOR LEADERSHIP TEAM

Arash Selahi
Chief Operating Officer

Experience & expertise:
- An experienced manufacturing professional within highly regulated industries
- Results-driven, dynamic, and passionate with over 20 years in the automotive, aerospace, mining and energy sectors.
- Has led R&D projects resulting in significant margin improvement while reducing lead times
- Implemented multiple Six Sigma projects to improve efficiencies and lower variances, significantly improving profitability
- Expertise encompasses lean methodologies and Kaizen practices

Paul Cassidy
Chief Technical Officer

Experience & expertise:
- Substantial knowledge in the engineering and technology field
- Significant experience in the methanol industry and its linked application in hydrogen-based technologies
- Track record of scaling up technologies from the laboratory to implementation at a commercial scale
- Master of Engineering from the University of Cambridge
- Multiple award winner; 2016 Institution of Chemical Engineers Global Awards, Outstanding Achievement Award, Industry Project Award for Gas Heated Reforming Development and Commercialization, and the 2014 Institution of Chemical Engineers Sustainable Technology Award

Joe Scott
Managing Director CPH2 Ireland

Experience & expertise:
- A qualified production engineer who specialises in R&D of advanced machining technology
- Significant experience and knowledge in product development and design
- Established a tool and mould-making company in Ireland in 1975, where he developed the first CAD/CAM-based paperless tool-making processes
- Owner of highly successful injection moulding company since 1997

CORPORATE GOVERNANCE STATEMENT

The 2023 QCA Code sets out ten broad principles that focus on the pursuit of medium to long-term value for shareholders by improving and sustaining performance whilst reducing or mitigating the risks that a company faces as it seeks to create sustainable growth over the medium to long term.

This Statement of Compliance sets out the 2023 QCA Code principles below and provides an explanation of how the Company applies each principle and the reasons for any instances of non-compliance.

Principle 1: Establish a purpose, strategy and business model which promote long-term value for shareholders.

CPH2 is a UK-based technology and manufacturing company focused on the commercial production of green hydrogen in a simple, safe, and sustainable manner using its IP-protected MFE technology.

The details of our purpose, strategy and business model are set out in the Strategic Report. The Strategic Report also sets out the key challenges being faced by the Company and how these are being addressed and overcome.

The Company's purpose is to "reduce the creation of harmful emissions by participating in the growth of the hydrogen economy". Our strategy, which is derived from our purpose, is to deliver the lowest Levelised Cost of Hydrogen ("LCOH") in the market and in relation to the production of green hydrogen, to reach 4GW of electrolyser production by 2030. This will be achieved by developing and scaling in-house manufacturing, licensing to manufacturing partners and continuing to focus on R&D.

The Company's strategy has been set by the Board, in line with the Company's vision and mission and the detailed strategic plans are developed by the Chief Executive Officer, the Chief Financial Officer and the senior management team, and approved by the Board. Progress is actively tracked and reviewed by the Directors, as well as by the Company's independent Chair and Non-Executive Directors, to ensure it establishes a balance between the interests of management and the Company's stakeholders. The senior management team, led by the Chief Executive Officer, is responsible for the effective delivery and implementation of the strategy.

Principle 2: Promote a corporate culture that is based on ethical values and behaviours.

The Board understands that a high level of corporate culture, conduct and ethical values leads to a successful business.

The Board seeks to promote an open, authentic and inclusive work culture that encourages employee expression and fosters trust, respect and creativity.

The Board firmly believes that corporate culture starts with leaders setting the tone for values, behaviours and expectations throughout the Company. The Board and the Executives seek to embody the Company's values in all their decisions and actions and regularly communicate the values in their internal messaging and daily interactions.

The Company's staff are its greatest asset in achieving the strategic objective to deliver the lowest LCOH in the market and to reach 4GW of electrolyser production by 2030, and as such the Board recognises that it is vital to continue attracting and retaining the best talent. The Company works hard to create an environment in which employees at all levels can thrive, develop and achieve their ambitions, and do so in ways that first and foremost promote the Company's values. Employees are encouraged to join operational committees and actively participate in the decision-making and operational management. Employee feedback is sought frequently and regular progress and performance updates provided to all employees.

The Company has a Code of Conduct, an Anti-Bribery and Corruption Policy and a Modern Slavery Statement. The Company also has policies and procedures relating to whistleblowing which state the Company's commitment to conducting its business with honesty and integrity, its expectation that staff will maintain high standards, and the arrangements for the workforce to raise concerns, in confidence and anonymously, about possible wrongdoing. The appointment of the Chair of the Audit Committee as the Whistleblowing Officer reinforces that the Company has an open culture where concerns are taken seriously and acted upon.

The Company has an induction process in place for all new employees that covers the Company's relevant policies and procedures, as well as cultural orientation as part of new employee onboarding. The Company also offers ongoing training and refreshers for existing employees where appropriate.

Principle 3: Seek to understand and meet shareholder needs and expectations.
The Board places great importance on having positive relationships with all shareholders and seeks to ensure that an appropriate and proactive level of communication takes place through multiple platforms so that the Company's strategy and performance are clearly understood.

The Company engages with its shareholders through London Stock Exchange regulatory announcements, providing financial results on a half-yearly basis, operational updates to maintain information on overall performance, additional news flow when there is a significant development and releases relating to matters of material importance to the Company's business.

The Company maintains an informative and regularly updated website www.cph2.com through which shareholders can obtain copies of the Company's Annual Report, interim results and other regulatory documents and regulatory news service releases. The website includes copies of all presentations made from time to time to analysts, shareholders and the general market and includes contact details to support open channels of communication and feedback (investor@cph2.com).

The Company's AGM is a regular opportunity for shareholders to meet with the Board and receive a corporate presentation. There is also an opportunity for shareholders to ask questions after the presentation, during the formal business of the meeting and informally following the meeting and present their views to the whole Board. The Board welcomes the attendance and participation of all shareholders at the Company's AGM. Shareholder voting on AGM resolutions is monitored and reported.

Beyond the AGM, the Board maintains a proactive approach to engagement with investors and major shareholders throughout the year, addressing any concerns raised and considering suggestions to further align with shareholder expectations. This ongoing dialogue underscores the Company's commitment to fostering transparency and trust with its shareholder community.

The Chief Executive Officer and the Chief Financial Officer are together responsible for shareholder liaison and are a listening board for shareholders. The Chief Executive Officer and the Chief Financial Officer extensively engage with the Company's corporate broker and financial PR consultants and meet regularly with investors and analysts to provide them with presentations of the Company's announcements of the year-end results and the half-year results as well as updates on the business and to obtain investor feedback regarding the market's expectations of the Company. The IR activities encompass dialogue with both institutional and private investors.

The Chair leads on ensuring that there is proactive engagement with shareholders on governance matters. The Chairs of the Audit Committee and the Remuneration Committee also make themselves available to meet with shareholders and attend the AGM to answer shareholder questions regarding the activities of their respective Committees.

Principle 4: Take into account wider stakeholder interests, including social and environmental responsibilities, and their implications for long-term success.
CPH2's business is at the heart of the green hydrogen industry and the Directors believe the Company is playing a significant part in the drive towards clean energy and net zero targets.

The Board's primary goal is to create shareholder value in a responsible way that serves all stakeholders. The Board considers its key stakeholders to be its employees, customers, manufacturing partners, shareholders, suppliers and the communities and environment in which it operates. There are systems in place to solicit, consider and act on feedback from all stakeholders. We value the feedback we receive from our stakeholders, and we take every opportunity to ensure that, where possible, their wishes are duly considered.

Our employees in particular are fundamental to both the delivery of our strategy, whilst upholding our reputation and positively contributing to the communities in which CPH2 operates. We prioritise the health, safety and wellbeing of our employees and seek to foster an inclusive, supportive and engaging workplace that offers challenges and opportunities for growth. We value an open, authentic and inclusive work culture that encourages employee expression and fosters trust, respect and creativity.

The Company also has policies and procedures relating to whistleblowing which are overseen by the Audit Committee. These state the Company's commitment to conducting its business with honesty and integrity, its expectation that staff will maintain high standards, and the arrangements for the workforce to raise concerns in confidence and anonymously, about possible wrongdoing. The Audit Committee also ensures that there are arrangements which allow for proportionate and independent investigation of whistleblowing matters and appropriate follow-up action. The Chair of the Audit Committee has been appointed as the Whistleblowing Officer.

Sustainability is a fundamental part of CPH2's identity with its approach aligning with the UN 2023 Agenda for Sustainable Development. The Board sets the tone on all ESG issues and is working on developing a strategy to include KPIs to track performance on ESG matters.

Principle 5: Embed effective risk management, internal controls and assurance activities, considering both opportunities and threats, throughout the organisation.

The Company's approach to the management and identification of risk is set out in the Principal Risks and Uncertainties section of the Strategic Report.

The Board has ultimate responsibility for the Company's risk management process and is supported in this by the Audit Committee, which oversees the risks facing the Company, and the effectiveness of the systems to manage and mitigate those risks. The Audit Committee is responsible for ensuring that risk management and all key risks are presented to the Board.

Management and mitigation of risks are discussed by the Board at every Board meeting. Whilst the Board has overall accountability for key risks there are certain risks which are considered in detail by the Board and others are delegated to Committees as appropriate.

In Q1 2025, the Audit Committee undertook a review of its Terms of Reference in order to re-enforce the role of the Committee in monitoring the efficiency of internal controls and risk management systems and procedures. The Audit Committee also intends to change its name to the 'Audit and Risk Committee' in order to formalise the remit of the Committee with regards risk.

The Company's controls are subject to continuous improvement and are designed to manage and control risks rather than eliminate them. Mitigation can only provide reasonable, but not absolute, assurance against material misstatement or loss. As such, the Company maintains appropriate insurance cover for its activities, with the types of cover and insured values being reviewed on a periodic basis by the Board.

The Company remains committed to upholding the highest standards of quality, safety, and efficiency by aligning its operations with ISO (International Organization for Standardization) best practices. Demonstrating our dedication to continuous improvement and compliance, we have successfully: retained ISO 45001:2018 certification, following a comprehensive review of our Health & Safety Management System; completed the ISO 14001:2015 Environmental Management System surveillance audit, reaffirming our commitment to environmental sustainability; and achieved ISO 9001:2015 recertification, reinforcing our quality management excellence. These accomplishments reflect our ongoing efforts to enhance operational efficiency, regulatory compliance, and sustainable business practices.

The Audit Committee formally assesses the independence of the Company's auditor on an annual basis and considers that the auditor, its partners, senior managers and all individuals involved in the audit are independent. The Financial Reporting Council limits the amount of time that an audit engagement partner can be involved in the audit of a listed entity to five years before rotation is mandated. The Audit Engagement Partner for the Company has held the role for a collective period of three years.

Principle 6: Establish and maintain the board as a well-functioning, balanced team led by the chair.

Information on each of the Directors is provided in this Governance Report.

The Board comprises the Independent Non-Executive Chair, the Chief Executive Officer, the Chief Financial Officer and the Independent Non-Executive Directors.

All Directors have extensive and complementary skills, knowledge and experience covering industry and commercial, strategy, governance, technology and financial expertise which covers all of the current requirements of the Board.

As the Company grows, the Board will have oversight of the Company's requirements to ensure that the make-up of the Board is kept in line with the Company's needs and provides the necessary mix of experience, skills, personal qualities and capabilities to oversee the Company. Full consideration is given to maintaining a healthy diversity where this is possible, including gender and ethnic diversity and ensuring that there is sufficient wide-ranging and business-relevant input to deliver the best decision-making process.

The Chair is responsible for leadership of the Board and the Board's approach to corporate governance. The Board adheres to the QCA Code recommendation that a board should have at least two independent directors.

The Board has reviewed the independence of the Non-Executive Directors, Chris Train, Natalie Fortescue and Rick Smith and all, including Rick Smith who holds options in the Company, are considered by the Board to be independent.

Rick Smith has substantial experience as a senior executive within a number of large organisations and as a consultant to private equity firms. His contribution to CPH2 in its early stages of development was invaluable and he was compensated with the grant of options.

The Board meets regularly and is provided with information on a timely basis. The Board works as a team drawing on its members' in-depth experience of strategy, technology, international and financial matters. Meetings are characterised by debate and active idea generation and management are rigorously challenged and held to account.

The Board also actively seeks to develop and improve the information flow of the business to better inform it of the progress, challenges and opportunities it faces.

The Board is supported by the Audit Committee and the Remuneration Committee, and the members of these Committees have the necessary skills and knowledge to discharge their duties and responsibilities effectively. Further information is set out in the Audit Committee Report and the Remuneration Committee Report on pages 37 and 38.

The Board acts as the Nomination Committee which leads the process for appointments, ensures plans are in place for orderly succession to both the Board and senior management positions and overseeing the development of a diverse pipeline for succession.

The Executive Directors are expected to devote substantially the whole of their time to their duties with the Company. The Chair and the Non-Executive Directors have a lesser time commitment which is set out in their letter of appointment. It is anticipated that Chair and the Non-Executives will dedicate such time as necessary in order to fulfil their duties as Board members and as members from time to time of Board Committees.

There is no formal policy restricting the Directors' external appointments, however the Board reviews external appointments and time commitments at least annually, and each Director discusses with the Chair any proposed additional appointments prior to being appointed.

Non-Executive Directors are not awarded any performance-related pay.

Attendance at the 10 Board meetings held during the last financial year is shown in the following table.

Attendance of Directors at Committee meetings held during the last financial year and which they were eligible to attend, is set out on pages 37 and 38.

The Board has agreed that at the 2025 Annual General Meeting all Directors will stand for annual re-election in accordance with the 2023 QCA.

Director	**Meetings eligible to attend**	Actual attendance
No. of meetings in the year to 31 December 2024	**10**	10
Chris Train (Chair)	**10**	10
Jonathan Duffy	**10**	10
James Hobson	**10**	10
Rick Smith	**10**	8
Natalie Fortescue	**10**	10

Principle 7: Maintain appropriate governance structures and ensure that individually and collectively the directors have the necessary up-to-date experience, skills and capabilities.

The Board recognises the importance of high standards of corporate governance and has sought to address the matter in a proportionate way having regard to the size and resources of the Company. This will be regularly reviewed as the Company grows.

The Non-Executive Chair has ultimate responsibility for the leadership of the Board and the Company's approach to corporate governance. The long-term success of the Company is the responsibility of the Board, which comprises three Non-Executive Directors, including the Non-Executive Chair, and two Executive Directors namely, the Chief Executive Officer and the Chief Financial Officer. The Board as a whole is responsible for directing, providing appropriate advice, and supervising the Company's business strategy, and is responsible to shareholders for the Company's financial and operational performance, as well as its risk management.

The Executive Directors have responsibility for the operational management of the Company's activities. The Chief Executive Officer has ultimate responsibility for implementing and delivering the strategic and commercial objectives of the Board and managing the day-to-day business activities of the Company.

The Non-Executive Directors are responsible for bringing independent and objective oversight and judgement to Board decisions. The Chair has ultimate responsibility for the operation, leadership and governance of the Board and the Company's approach to corporate governance.

The Board has a formal schedule of matters reserved for the Board which include the determination of strategy, operational and financial decisions, the approval of budgets and major capital expenditure.

The CPH2 Board and its subsidiary Boards have a strong breadth and depth of highly relevant experience, skills and knowledge for the business. The Board regularly reviews the composition of both the CPH2 Board and the Company Board to ensure that they have the necessary skills to support the ongoing development and growth of the business and to fulfil its governance responsibilities.

The Board is satisfied that it has a suitable mix of skills, experience and competencies on both the CPH2 Board and Company Boards to enable the Company to deliver its strategy for the benefit of its shareholders over the medium to long-term. Summary biographies of each Board member are shown on page 28.

Directors are required to keep their skills sets up to date through membership of professional bodies, attendances at conferences and forums, through their various external appointments and with ongoing training and development. The Directors regularly share sector updates and news articles to stay up to date with relevant industry developments.

The Board has put in place a training schedule for regular updates and annual refreshers to cover the AIM Rules, Director Duties and obligations under MAR provided by the Company's Nomad, legal advisers and the Company Secretary. In Q1 2025, the Directors received an overview on the 2023 QCA Code and the application of the ten principles.

The Board is supported by the Audit Committee and the Remuneration Committee, and the members of these Committees have the necessary skills and knowledge to discharge their duties and responsibilities effectively. Further information is set out in the Audit Committee Report and the Remuneration Committee Report on pages 37 and 38.

Each Committee has formal Terms of Reference which are reviewed and revised annually. The Audit Committee is chaired by Natalie Fortescue and the Remuneration Committee is chaired by Rick Smith. Membership of both Committees during the last financial year comprised exclusively of Non-Executive Directors.

During the year the Remuneration Committee engaged remuneration consultants to assist in various matters relating to executive remuneration.

The Directors have access to the Company's Nominated Adviser, Company Secretary and lawyers and are able to obtain advice from other external bodies as and when required.

The Directors are in regular dialogue with the Company's Nominated Adviser. The Nominated Adviser provides ongoing advice on matters pertaining to the Company's compliance with the AIM Rules for Companies.

The Company Secretary advises on corporate governance and attends and minutes all Board and Committee meetings. The Company Secretary works closely with the Chairman, Chief Financial Officer as well as other Board members and advisers of the Company as and when required.

Lawyers are engaged to provide legal advice when required by the management team and by the Board or Committees.

Principle 8: Evaluate board performance based on clear and relevant objectives, seeking continuous improvement.

The Board appreciates that an annual performance evaluation of the Board is crucial for effective governance and the development of the Board's capabilities and its effectiveness.

A formal external Board evaluation was conducted in Q1 2025 which covered Board Structure, Performance, Strategic Oversight, Risk Management, Leadership, Dynamics, Committees and Governance. The report has given Directors a greater insight into the functioning of the Board and will help to develop the overall performance of the Board and its Committees. Progress against the recommendations will be provided in future Annual Reports.

All Directors will undergo a performance evaluation before being proposed for re-election to ensure that their performance is and continues to be effective, that, where appropriate, they continue to be independent and that they remain committed to their roles. They will be individually assessed on an annual basis through which their performance against predetermined objectives will be reviewed and their personal and professional development needs considered. These evaluations should allow Directors to identify areas for improvement or training.

In addition, the Non-Executive Directors will meet, without the Chair present, and will evaluate the Chair's performance.

The Board regularly reviews its composition, particularly in conjunction with succession planning, and will utilise the results of performance evaluations when considering future Board composition and/or succession planning.

Principle 9: Establish a remuneration policy which is supportive of long-term value creation and the company's purpose, strategy and culture.

The Remuneration Committee meet regularly to discuss the remuneration structure to ensure that it motivates the executive teams and senior management team and promotes the long-term growth of shareholder value.

Pay structures for the executive team and senior management team are simple and easy to understand and foster alignment with shareholders through building and holding a meaningful shareholding in the Company.

The 2023 QCA Code recommends that companies submit both their annual remuneration report and their remuneration policy to an advisory shareholder vote. The Board acknowledges the importance of transparency and shareholder engagement in remuneration matters and is committed to aligning with best governance practices in this area.

At present, the Remuneration Committee is in the process of developing a comprehensive remuneration policy that reflects the Company's strategic objectives, aligns with shareholder interests, and supports long-term value creation. Given that this work is ongoing, the Company is not yet in a position to put the remuneration report and policy to an advisory vote.

The Board remains committed to progressing towards full compliance with this aspect of the 2023 QCA Code and will keep shareholders informed of developments as the remuneration policy is finalised.

Principle 10: Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other key stakeholders.

The Board recognises the importance of providing its stakeholders, including shareholders and investors, with clear and transparent information on the Company's activities, strategy and financial position and does so in a number of ways, including:

- the Company's Annual Report and Accounts;
- full-year and half-year results announcements;
- other regulatory announcements;
- the Annual General Meeting;
- update meetings with existing shareholders;
- investor presentations; and
- disclosure of all shareholder voting on Annual General Meeting resolutions in a clear and transparent manner.

A range of corporate information, including Annual Reports and regulatory announcements is available to shareholders, investors and the public through the Company's website which is regularly updated. Users, including all stakeholders, can register to be alerted via email when material announcements are made. The Company's contact details are on the website should stakeholders wish to make enquiries of the management from time to time.

The Company's Annual Reports and Circulars and Notices of Annual General Meetings for 2022, 2023 and 2024 can be found on the Investors section of the Company's website www.cph2.com.

The results of all shareholder voting on Annual General Meeting resolutions are posted to the Company's website and include any actions taken or to be taken as a result of resolutions for which votes against a resolution have been received from at least 20% of independent votes.

The Company has published all of the disclosures set out under Principles 1–10.

AUDIT COMMITTEE

Composition and role of the Audit Committee

Membership of the Audit Committee during the period consisted of the Non-Executive Directors, Natalie Fortescue (Chair) and Rick Smith. The Audit Committee is responsible for the review and recommendations in respect of the Group's financial reporting, risk review and the review and recommendations in respect of the Group's risk management and internal control processes.

The role of the Audit Committee is to assist the Board in fulfilling its oversight responsibilities by reviewing and monitoring:

- the integrity of the financial and narrative statements and other financial information provided to shareholders;
- the Company's system of internal controls and risk management;
- the internal and external audit process and auditors; and
- the processes for compliance with laws, regulations and ethical codes of practice.

Attendance at Audit Committee meetings during the year ended 31 December 2024 was as follows:

Director	Meetings eligible to attend	Actual attendance
Natalie Fortescue (Chair)	**3**	3
Rick Smith	**3**	3

Significant financial reporting matters

When approving the financial statements for the year ended 31 December 2024, the Audit Committee considered the following significant financial reporting matters, estimates and judgements, amongst others:

Impairment reviews

Capitalised development costs of £9.9m were assessed for potential impairment and a thorough analysis was undertaken by management. In light of the successful operation and factory acceptance test of the MFE110, management reviewed capitalised development costs to 31 December 2024 for potential replication and redundancy of historic development work. The Audit Committee considered management's analysis of costs and approved the recognition of the impairment of £5.6m. The remaining balance of capitalised development costs (£4.3m) was assessed against likely future cash flows and it was determined that no further impairment was necessary.

Inventory, fixed assets, investments in subsidiaries and intercompany loan balances (intercompany receivables for the Company) were also individually assessed in relation to potential impairment. It was determined appropriate to recognise a £1.5m impairment in relation to obsolete stock (due to design modifications) and £0.9m impairment in relation to inventory held for an onerous contract (see below). In addition, £1.1m of property, plant and equipment related to demonstrator equipment which would no longer be utilised and was considered impaired. The Audit Committee received and considered reports from management on the above matters and taking into consideration input received from the external auditor, the Audit Committee considers management's judgement in relation to potential impairment appropriate.

Onerous contract

The Audit Committee reviewed and challenged management's assessment of an existing contract which has been considered onerous, which took into account the forecast of costs to complete against the expected proceeds as well as the contractual terms and approved the assessment.

As a result, inventory as at 31 December2024 was written down by £0.9m and a provision of £0.5m was recognised for future losses.

Share-based payments

In June 2023, 944,257 options were awarded to employees under a Save as You Earn Scheme and 1,146,311 EMI options were awarded to certain members of the Senior Leadership Team. The Black Scholes option-pricing model was used to determine the value of the options awarded. Reviewing the underlying key judgements in relation to the inputs, particularly volatility, and taking into consideration input received from the external auditors, the Audit Committee considers management's treatment to be appropriate.

External auditor

At the Group's Annual General Meeting in June 2024, PKF Littlejohn LLP was re-appointed as the Group's external auditor for the year to 31 December 2024, to hold office until the 2025 AGM. PKF Littlejohn LLP has been the auditor since 2022 and David Thompson has remained the lead audit partner throughout this time.

During the year, the Committee reviewed PKF Littlejohn's audit plan including the scope of work to be undertaken as well as their reports on external audit findings, with particular focus on the areas set out above.

Effectiveness of the external auditor

The Committee also assessed the effectiveness of the external auditor, PKF Littlejohn LLP, and was satisfied that the advice the Company received has been objective and independent.

Audit fees paid to PKF Littlejohn during the year are disclosed in note 4 to the financial statements in this Annual Report. There were no non-audit fees for the year ended 31 December 2024 (2023: £nil).

Natalie Fortescue
Chair of Audit Committee

The remuneration report outlines remuneration awarded to Directors and Non-Executive Directors during the year. As the Company's shares are quoted on the AIM market of the London Stock Exchange, the Company is required to report in accordance with the remuneration disclosure requirements of the AIM Rules.

The Group is not required to prepare a Directors' Remuneration Report under Companies Act regulations and therefore this report may not contain all the information that would be included were the Group required to do so.

Composition and role of the Remuneration Committee

Membership of the Remuneration Committee during the period consisted of the Independent Non-Executive Directors, Rick Smith (Chair), Chris Train and Natalie Fortescue. The Remuneration Committee is responsible for the review and recommendation of the scale and structure of remuneration for senior management, including any bonus arrangements or the award of share options with due regard to the interests of the shareholders and the performance of the Company.

Attendance at Remuneration Committee meetings during the year ended 31 December 2024 was as follows:

Director	Meetings eligible to attend	Actual attendance
Rick Smith (Chair)	**2**	2
Chris Train	**2**	2
Natalie Fortescue	**2**	2

Remuneration policy

The roles and responsibilities of the Committee are:

- to review and recommend to the Board remuneration policies which motivate Directors and Senior Leadership Team to support the delivery of business objectives in the short, medium, and long term;
- to align the interests of the Executive Directors and senior executive team with the interests of long-term shareholders; and
- to ensure the Group can recruit, retain and motivate high-quality executives through packages which are attractive and fair, but not excessive.

The Committee takes into account the individual executive's experience and the nature and complexity of their work in order to pay a competitive salary that attracts and retains management of the highest quality, while avoiding remunerating those Directors more than is necessary.

Where considered appropriate independent advice is sought to assist the Committee in its deliberations. Each Executive Director has a service contract with the Group which contains details regarding remuneration, restrictions and disciplinary matters. Executive Directors are appointed by the Group on contracts terminable on no more than 12 months' notice.

The fees of the Chair are determined by the Committee and the fees of the other Non-Executive Directors by the Board following a recommendation from the Chair. The Chair and the other Non-Executive Directors are not involved in any discussions or decisions about their own remuneration. Included in the fees for the Chair of each Committee is an additional payment of £5,000 in respect of their services.

Directors' remuneration for 2024

The following table sets out the remuneration of the Company's Directors who served during the period 1 January 2024 to 31 December 2024 that was received or receivable.

	Salary and fees £000	Pension and benefits £000	Employers NI £000	Bonus £000	**Total 31 Dec 2024 £000**	Total 31 Dec 2023 £000
Executive Directors						
Jonathan Duffy(1)	306	3	45	75	**429**	411
James Hobson	186	20	27	50	**283**	241
Non-Executive Directors						
Chris Train	75	-	9	-	**84**	84
Natalie Fortescue	45	-	5	-	**50**	50
Rick Smith	45	-	5	-	**50**	50
	657	23	91	125	**896**	836

(1) In the previous financial year Mr Duffy exercised 2,764,160 options, receiving the same number of ordinary shares. 1,704,565 of these ordinary shares were then sold to meet the PAYE tax and National Insurance obligations arising as a result of the exercise, for a profit of £245,000. Included in the remuneration for 2023 is National Insurance of £44,000 paid on exercise of options.

Share options

Directors' interests in share options of the Company during the year were as follows:

	1 Jan 24 number	Granted number	Exercised number	Cancelled or lapsed number	31 Dec 24 number	Exercise price	Date from which exercisable	Expiry date
Jonathan Duffy								
Options (unapproved)	10,608,980	–	–	(7,956,735)	**2,652,245**	£0.085	1 Jun 2024	9 Feb 2032
2022 SAYE options (approved)	28,177	–	–	(28,177)	**–**	£0.319	1 Jul 2025	1 Dec 2025
2023 SAYE options (approved)	32,727	–	–	(32,727)	**–**	£0.22	1 Aug 2026	31 Jan 2027
2023 EMI options (approved)	–	624,867	–	–	**624,867**		31 Jan 2026	23 Feb 2034
2024 EMI options (approved)	–	646,738	–	–	**646,738**		31 Jan 2027	23 Feb 2034
	10,669,884	1,271,605	–	(8,017,639)	**3,923,850**			
James Hobson								
EMI options (approved)	100,000	–	–	–	**100,000**	£0.4025	16 Jun 2024	15 Jun 2033
2023 SAYE options (approved)	40,909	–	–	(40,909)	**–**	£0.22	1 Aug 2026	31 Jan 2027
2023 EMI options (approved)		320,000	–	–	**320,000**		31 Jan 2026	23 Feb 2034
2024 EMI options (approved)		331,200	–	–	**331,200**		31 Jan 2027	23 Feb 2034
	140,909	651,200	–	(40,909)	**751,200**			
Rick Smith								
Options (unapproved)	2,000,000	–	–		**2,000,000**	£0.25	1 Feb 2022	31 Jan 2032
	2,000,000	–	–		**2,000,000**			

Shares

The Directors had the following interests in shares in the Company as at 31 December 2024:

	Shares
Director	
Jonathan Duffy	**8,489,752**
James Hobson	**35,000**
Chris Train	**48,484**
Natalie Fortescue	**25,000**
Rick Smith	**25,000**

Subsequent to 31 December 2024, the Directors purchased shares in the Company on the London Stock Exchange Alternative Investment Market as follows: Chris Train purchased 133,333; Jonathan Duffy purchased 133,333 shares; James Hobson purchased 26,666 shares; Natalie Fortescue purchased 26,666 shares; and Rick Smith purchased 133,333 shares.

Rick Smith
Chair of Remuneration Committee

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2024

The Directors present their Annual Report and the consolidated financial statements for the year ended 31 December 2024.

Principal activities

Clean Power Hydrogen plc ("CPH2" or the "Company") is a public listed company incorporated and domiciled in England. The address of its registered office and principal place of business is disclosed at the end of this report. The Company's shares are quoted on the AIM Market of the London Stock Exchange.

The principal activity of the Company and Group is the development of a patented method of hydrogen and oxygen production together with the development of a gas separation technique which enables hydrogen to be produced as "green hydrogen" and oxygen to high grade purity.

A review of the Group's business, including events since the year end and the outlook ahead, is set out in detail in the Strategic Report.

Results and dividends

The consolidated results of the Group for the year are set out in the Consolidated Statement of Comprehensive Income on page 48. The Directors do not recommend the payment of a dividend in respect of the current period (2023: £nil).

Events after the reporting date

The placing, subscription and retail offer announced in December 2024 were approved on 8 January 2025. The Company issued and allotted 8,572,662 Placing Shares, 74,612,919 Subscription Shares and 1,017,813 Retail Offer Shares at 7.5 pence per share, resulting in a total of 84,203,394 new shares being issued and £6,356,000 gross funds raised (£5,705,000 net).

Directors

The Directors of the Company who held office during the year and as at the date of this report were as follows:

Director	Title	Appointed
Chris Train	Independent Non-Executive Chair	16 February 2022
Jonathan Duffy	Chief Executive Officer	19 August 2021
James Hobson	Chief Financial Officer	6 December 2022
Natalie Fortescue	Independent Non-Executive Director	16 February 2022
Rick Smith	Independent Non-Executive Director	2 December 2021

Directors' interests

Details of Directors' interests in shares in the Company and options held over the Company' ordinary shares are set out in the Remuneration Report on pages 38 and 39.

Significant shareholders

As at 30 April 2025, the Company has been notified of the following holdings of 3% of more of the issued ordinary shares of £0.01 each of the Company:

	Shares	Percentage
Joe Scott Mouldings Limited	39,445,053	11.12%
Kenera Energy Solutions Limited	21,141,611	5.96%
Aurelius Limited	20,948,881	5.91%
Henry Price	12,995,906	3.66%
Mr Elie Basil Victor Dangoor	12,506,106	3.52%
The Nigel Williamson Family Trust	11,000,000	3.10%

Principal risks and uncertainties

The principal risks and uncertainties which could have a material impact on the execution of the Group's strategy are set out in Strategic Report on page 24.

Corporate governance

The Company's statement on corporate governance can be found in the corporate governance report on page 31.

Group's policy on payment of creditors

The Group's policy is to settle the terms of payment with its suppliers when agreeing the terms of each transaction, either by accepting the suppliers' terms or by making the suppliers aware of alternative terms, and to abide by the agreed terms. Trade creditors of the Group at 31 December 2024 represented 20 days of annual purchases.

Going concern

In assessing the Group's ability to operate as a going concern, the Board have prepared cash flow forecasts for the period to 30 June 2026 on likely future operations and have undertaken sensitivity tests on the key assumptions The forecast shows that whilst the Group will be able to operate within the level of cash reserves into the second half of 2025, further funding will be needed to continue in operational existence for a period of 12 months from the date of approval of these financial statements.

In forming the conclusion that it is appropriate to prepare the condensed consolidated financial statements on a going concern basis the Directors have made the assumption that sufficient funding can be obtained from new and existing investors. Although the Directors are confident that sufficient funding will be obtained as required, there can be no guarantee that such funding will be obtained and accordingly a material uncertainty exists that may cast doubt on the Group's ability to continue as a going concern. Refer to note 1 for further information.

Directors' indemnities

The Company maintained liability insurance for its Directors and officers. This is a qualifying provision for the purposes of the Companies Act 2006 and was in place during the financial year and remains in force at the date of this report.

Auditor

The Directors confirm that:

- so far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

PKF Littlejohn LLP has signified its willingness to continue in office as auditor and a resolution to re-appoint them and to authorise the Directors to agree their remuneration will be put to the 2025 Annual General Meeting.

This report was approved by the Board on 30 April 2025 and signed on its behalf.

James Hobson
Chief Financial Officer

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report, Strategic Report, Directors' Report and the Group and Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have prepared the Group and Company financial statements in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act as applicable to companies reporting under those standards. The Company financial statements are prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework").

Under company law the Directors must not approve the financial statements for the Group and the Company unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group and the Company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK-adopted International Accounting Standards for the Group and United Kingdom Accounting Standards, comprising FRS 101, for the Company have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT

Audit Report for the year ended 31 December 2024

Independent Auditor's Report to the Members of Clean Power Hydrogen plc

Opinion

We have audited the financial statements of Clean Power Hydrogen plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2024 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statements of Financial Position, the Consolidated and Parent Company Statements of Changes in Equity, the Consolidated Statement of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK-adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2024 and of the group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 1 in the financial statements, which indicates conditions that may cast significant doubt on the ability of the Group and Parent Company to continue as a going concern. The Group and Parent Company require further funding over the next 12 months in order to continue their operations, which is not currently guaranteed. As stated in note 1, these events or conditions, indicate that a material uncertainty exists that may cast significant doubt on the Group's and Parent Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group's and Parent Company's ability to continue to adopt the going concern basis of accounting included:

- Challenging the inputs and assumptions used in the cashflow forecasts prepared by management to assess the Group's and Parent Company's ability to meet financial obligations as they fall due for a period of at least twelve months from the date of approval of the financial statements.
- Checking the mathematical accuracy of the cashflow forecasts scenarios prepared by management.
- Corroborating the committed cash flows against contractual arrangements and historic information and compared general budgeted overheads to current run rates.
- Identifying and evaluating subsequent events which affect going concern and evaluating the likelihood of occurrence of forecasted inflows.

- Stress-testing the forecasted cash flows by increasing expenditures, as well as critically reviewing committed versus non committed expenditure, in order to evaluate the likelihood of potential downside scenarios that may have an impact on headroom.
- Comparing actual results for the year to previous budgets to assess the accuracy of management's forecasting.
- Reviewing post year end information such as minutes of Board meetings and Regulatory News Service (RNS) announcements.
- Reviewing post year end cash position and compared this against the forecasted position.
- Discussing with management as to the strategies that they are pursuing to secure further funding if and when required. Considering management's past history in relation to the ability to raise funds.
- Assessing the adequacy of the disclosures in respect of going concern including the uncertainty over the ability to raise additional funds.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatement. At the planning stage, materiality is used to determine the financial statement areas that are included within the scope of our audit.

	Group	Company
Materiality	£450,000 (2023: £470,000)	£40,000 (2023: £75,000)
Performance materiality	£315,000 (2023: £280,000)	£28,000 (2023: £53,000)

The benchmark for determining materiality of the Group and Parent Company was 3% (2023: 5%) net assets with respect to the Statement of Financial Position, less cash balances, given that the most significant balances to the Group are the capitalised development costs and inventory.

Component materiality was applied and ranged from £40,000 to £427,000 (2023: £75,000 to £423,000) for the Statement of Financial Position and £207,000 (2023: from £40,000 to £75,000) for the Statement of Comprehensive Income, having regard to the varying size and risk profile of components across the Group.

A benchmark of 70% (2023:70%) for performance materiality during our audit of the Group and Parent Company was applied as we believe that this would provide sufficient coverage of significant and residual risks.

We agreed with the Audit Committee that we would report to them all audit differences identified during the course of our audit in excess of £20,000 (2023: £23,500) for the Group and £2,000 (2023: £3,750) for the Parent Company. We also agreed to report any other audit misstatements below that threshold that we believe warranted reporting on qualitative grounds.

Our approach to the audit

In designing our audit approach, we determined materiality and assessed the risk of material misstatement in the financial statements. In particular, we assessed the areas requiring the directors to make subjective judgements, for example in respect of significant accounting estimates and judgements including the carrying value and capitalisation of development costs, valuation of investments and recoverability of intragroup balances and valuation of inventory and work in progress. We also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

An audit was performed on the financial information of the Group's material operating components which, for the year ended 31 December 2024, were located in the United Kingdom.

Clean Power Hydrogen Plc and Clean Power Hydrogen Group Limited were assessed as in scope components of the Group and we therefore designed procedures focused on addressing our key audit matters as noted below.

Work on all in scope components of the group has been performed by us as group auditor.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material uncertainty related to going concern section we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our scope addressed this matter
Capitalisation and Valuation of Development costs in intangible assets (Group) – note 10	
The Group has significant capitalised development costs of £4.61m (2023: £7.61m) in relation to the development and testing of its Membrane-Free Electrolyser™ (MFE) technology. There is a risk that these costs do not meet IAS 38 capitalisation criteria and are therefore incorrectly capitalised, and that certain expenditure could be superseding or rectifying previous development work, giving rise to an impairment indicator regarding the original expenditure. There is also a risk that there are indicators of impairment, and the carrying value of development costs is overstated as at 31 December 2024.	Our work in this area included: • Tests of detail of a sample of capitalised costs to underlying supporting evidence, ensuring their eligibility for capitalisation is in accordance with IAS 38. • Evaluating whether the development phase is complete and amortisation should commence. • Challenging the appropriateness of inputs and assumptions used in management's assessment of the carrying value of capitalised costs, with reference to forecast/contracted revenues and other key assumptions. • Considering whether there are indicators of impairment. • Reviewing the disclosures in the financial statements, including those relating to estimates and judgements used.
Recoverability of investments and intragroup balances (Parent Company) – note 12 and 16	
The Company holds investments in subsidiaries amounting to £1.85m (2023: £1.85m) as at 31 December 2024. There is also significant intercompany receivables of £28.08m (2023: £18.9m) as the parent company provides funds to the operating companies. Clean Power Hydrogen Group Limited has been loss making to date, which is an indicator of impairment. There is a risk that the investment in subsidiaries and intragroup receivables may not be fully recoverable, pending commencement of commercial production and sales of MFE electrolysers.	Our work in this area included: • Reconfirming ownership documents for investments in subsidiaries held by the parent company. • Obtaining the impairment review for all investments held from management and corroborating the underlying assumptions. This was directly linked to the impairment assessment of intangible assets and inventory in the trading subsidiary. • Reviewing the value of the net investment in Clean Power Hydrogen Group Limited against the underlying assets and verifying and corroborating the judgements and estimates used by management to assess the recoverability of the investment and intercompany receivables. • Reviewing management's assessment of the recoverability of intercompany receivables in accordance with IFRS 9 criteria. • Evaluating the presentation and disclosures in the financial statements.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the group and parent company financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the Group and Parent Company financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Group and Parent Company financial statements, the Directors are responsible for assessing the Group and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the group and parent company and the sector in which they operate to identify laws and regulations that could reasonably be expected to have a direct effect on the financial statements. We obtained our understanding in this regard through discussions with management, industry research, application of cumulative audit knowledge and experience of the sector.
- We determined the principal laws and regulations relevant to the group and parent company in this regard to be those arising from Companies Act 2006, AIM rules and regulations, General Data Protection Regulation, Employment Law, Health and Safety Law, Anti-Bribery and Money Laundering Regulations.
- We designed our audit procedures to ensure the audit team considered whether there were any indications of non-compliance by the group and parent company with those laws and regulations. These procedures included, but were not limited to enquiries of management, review of minutes, review of legal and professional expenditure, review of correspondence with regulators and review of online media.
- We also identified the risks of material misstatement of the financial statements due to fraud. We considered, in addition to the non-rebuttable presumption of a risk of fraud arising from management override of controls, that , that the potential for management bias was identified in relation to the carrying value and capitalisation of the development costs as intangible assets, the carrying value of investments and intragroup loans and the carrying value of inventory as noted in our Key Audit Matters above. We addressed this by challenging the assumptions and judgements made by management when auditing that significant accounting estimate.
- As in all of our audits, we addressed the risk of fraud arising from management override of controls by performing audit procedures which included, but were not limited to: the testing of journals; reviewing accounting estimates for evidence of bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone, other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

David Thompson
Senior Statutory Auditor
For and on behalf of PKF Littlejohn LLP
15 Westferry Circus
Canary Wharf
Statutory Auditor
London
E14 4HD

30 April 2025

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2024

	Notes	2024 £'000	2023 £'000
Other operating income	4	**334**	—
Administrative expenses	4	**(5,704)**	(5,423)
Impairment losses	4	**(9,124)**	—
Onerous contract losses	4	**(538)**	—
Operating loss	4	**(15,032)**	(5,423)
Finance income	7	**134**	345
Finance expense	7	**(47)**	(49)
Loss before taxation		**(14,945)**	(5,127)
Taxation	8	**508**	1,012
Loss for the financial year		**(14,437)**	(4,115)
Other comprehensive expense			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences		**19**	9
Fair value decrease in respect of investments		**(355)**	(438)
Total comprehensive expense for the year		**(14,773)**	(4,544)
Basic and diluted earnings per share (pence)	9	**(5.37)**	(1.54)

The notes on pages 53 to 70 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

	Notes	31 December 2024 £'000	31 December 2023 £'000
Assets			
Non-current assets			
Intangible assets	10	**4,608**	7,614
Property, plant and equipment	11	**1,535**	2,642
Fair value through OCI investments	13	**—**	1,059
Other receivables	16	**120**	120
		6,263	11,435
Current assets			
Inventories	15	**1,614**	3,155
Trade and other receivables	16	**1,476**	1,449
Current asset investments	14	**—**	6,000
Cash and cash equivalents		**327**	2,468
		3,417	13,072
Total assets		**9,680**	24,507
Liabilities			
Current liabilities			
Trade and other payables	17	**(1,275)**	(1,037)
Lease liabilities	18	**(198)**	(128)
		(1,473)	(1,165)
Non-current liabilities			
Deferred income	17	**(1,166)**	(1,780)
Lease liabilities	18	**(626)**	(609)
		(1,792)	(2,389)
Total liabilities		**(3,265)**	(3,554)
Net assets		**6,415**	20,953
Equity			
Called up share capital	21	**2,697**	2,682
Share premium account	21	**27,745**	27,707
Merger reserve	21	**3,702**	3,702
Currency translation reserve		**13**	(6)
Accumulated loss		**(27,742)**	(13,132)
Total equity		**6,415**	20,953

The notes on pages 53 to 70 form part of these financial statements.

These financial statements on pages 48 to 52 were approved by the Board of Directors on 30 April 2025 and were signed on its behalf by:

J Hobson
Director

Clean Power Hydrogen plc
Registered number
13574281

COMPANY STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

	Notes	**31 December 2024 £'000**	31 December 2023 £'000
Assets			
Non-current assets			
Intangible assets	12	**1,853**	1,853
Fair value through OCI investments	13	**—**	1,059
		1,853	2,912
Current assets			
Trade and other receivables	16	**28,148**	19,027
Current asset investments	14	**—**	6,000
Cash and cash equivalents		**301**	2,357
		28,449	27,384
Total assets		**30,302**	30,296
Liabilities			
Current liabilities			
Trade and other payables	17	**(271)**	(150)
Total liabilities		**(271)**	(150)
Net assets		**30,031**	30,146
Equity			
Called up share capital	21	**2,697**	2,682
Share premium account	21	**27,745**	27,707
Accumulated loss		**(411)**	(243)
Total equity		**30,031**	30,146

As permitted by section 408 of the Companies Act 2006, the parent company's profit and loss account has not been included in these financial statements. The Company recorded a profit for the year of £60,000 (2023: profit of £218,000).

The notes on pages 53 to 70 form part of these financial statements.

These financial statements on pages 48 to 52 were approved by the Board of Directors on 30 April 2025 and were signed on its behalf by:

J Hobson
Director

Clean Power Hydrogen plc
Registered number
13574281

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

As at 31 December 2024

	Called up share capital £'000	Share premium account £'000	Merger reserve £'000	Foreign currency reserve £'000	Accumulated loss £'000	Total equity £'000
Balance as at 31 December 2022	2,654	27,638	3,702	(15)	(8,808)	25,171
Loss for the financial year	—	—	—	—	(4,115)	(4,115)
Other comprehensive expense (note 13)	—	—	—	9	(438)	(429)
Total comprehensive expense for the year	—	—	—	9	(4,553)	(4,544)
Share based payments (note 23)	—	—	—	—	229	229
Issue of share capital (note 22)	28	69	—	—	—	97
Balance as at 31 December 2023	**2,682**	**27,707**	**3,702**	**(6)**	**(13,132)**	**20,953**
Loss for the financial year	—	—	—	—	(14,437)	(14,437)
Other comprehensive expense (note 13)	—	—	—	19	(355)	(336)
Total comprehensive expense for the year	—	—	—	19	(14,792)	(14,773)
Share based payments (note 23)	—	—	—	—	182	182
Issue of share capital (note 22)	15	38	—	—	—	53
Balance as at 31 December 2024	**2,697**	**27,745**	**3,702**	**13**	**(27,742)**	**6,415**

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2024

	Called up share capital £'000	Share premium account £'000	Accumulated loss £'000	Total equity £'000
Balance as at 31 December 2022	2,654	27,638	(216)	30,076
Loss for the financial year	—	—	218	218
Other comprehensive expense (note 13)	—	—	(438)	(438)
Total comprehensive expense for the year	—	—	(220)	(220)
Share based payments (note 23)	—	—	193	193
Issue of share capital (note 22)	28	69	—	97
Balance as at 31 December 2023	**2,682**	**27,707**	**(243)**	**30,146**
Profit for the financial year	—	—	60	60
Other comprehensive expense (note 13)	—	—	(355)	(355)
Total comprehensive expense for the year	—	—	(295)	(295)
Share based payments (note 23)	—	—	127	127
Issue of share capital (note 22)	15	38	—	53
Balance as at 31 December 2024	**2,697**	**27,745**	**(411)**	**30,031**

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2024

	Notes	**31 December 2024 £'000**	31 December 2023 £'000
Cash flow from operating activities			
Loss for the financial year		**(14,437)**	(4,115)
Adjustment for:			
Depreciation and amortisation	10,11	**532**	413
Impairment losses	4	**9,124**	—
Onerous contract losses	4	**538**	—
Profit on disposal		**(8)**	—
Share based payments	22	**182**	229
Foreign exchange		**29**	11
Net finance income	7	**(87)**	(296)
Taxation credit	8	**(508)**	(1,012)
Changes in working capital:			
Increase in inventories		**(824)**	(155)
(Increase)/decrease in trade and other receivables	16	**(127)**	2,116
Decrease in trade and other payables	17	**(914)**	(526)
Cash used in operations		**(6,500)**	(3,335)
Income tax received		**608**	686
Net cash used in operating activities		**(5,892)**	(2,649)
Cash flows from investing activities			
Current asset investments withdrawn	14	**6,000**	7,500
Purchase of property, plant and equipment	11	**(241)**	(1,595)
Proceeds from sale of plant and equipment		**22**	—
Purchase of intangible assets	10	**(2,752)**	(2,850)
Proceeds from sale of investments	13	**704**	—
Net cash generated from investing activities		**3,733**	3,055
Cash flows from financing activities			
Issue of share capital (net of costs)	21	**53**	97
Interest received	7	**134**	345
Interest paid	7	**(47)**	(49)
Payment of lease liabilities	19	**(122)**	(121)
Net cash generated from financing activities		**18**	272
Net (decrease)/increase in cash and cash equivalents		**(2,141)**	678
Cash and cash equivalents at the beginning of the year		**2,468**	1,790
Cash and cash equivalents at the end of the year		**327**	2,468

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2024

1. Summary of significant accounting policies and general information

Clean Power Hydrogen plc is a public company incorporated in the United Kingdom and quoted on the Alternative Investment Market ("AIM"). The registered address of the Company is Unit D, Parkside Business Park, Spinners Road, Doncaster, England, DN2 4BL. The principal activity of the Company is as a holding company for subsidiaries engaged in the development of a patented method of hydrogen and oxygen production together with the development of a gas separation technique which enables hydrogen to be produced as "green hydrogen" and oxygen to medical grade purity.

The Group financial statements have been prepared in accordance with UK-adopted International Accounting Standards ("IFRS") and in accordance with the requirements of the Companies Act 2006.

The parent company financial statements have been prepared under applicable United Kingdom Accounting Standards (FRS 101 "Reduced Disclosure Framework"). The principal accounting policies applied in the preparation of these consolidated and separate financial statements are set out below.

These policies have been consistently applied to all the years presented, unless otherwise stated.

The financial statements are drawn up in Sterling, the functional currency of the company and the Group. The level of rounding for the financial statements is the nearest thousand pounds.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Exemptions

FRS 101 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, and the Company has taken advantage of the following exemptions:

- IAS 7 Statement of Cash Flows;
- IFRS 7 Financial Instruments Disclosures;
- IAS 24 Key Management Remuneration.

Basis of consolidation and merger accounting

The Company was incorporated on 19 August 2021 with one £0.01 ordinary share and on 1 February 2022, became the Group parent company when it issued 185,267,700 £0.01 ordinary shares in exchange for all the ordinary shares in its subsidiary Clean Power Hydrogen Group ("CPHGL"). In addition, warrants and options over ordinary shares in CPHGL were converted, on equivalent terms, to warrants and options over 26,911,940 shares in the Company. This was considered not to be a business combination within the scope of IFRS 3. This was a key judgement, and as a transaction where there was no change in the shareholders or holdings, is accordingly accounted for using merger accounting with no change in the book values of assets and liabilities and no fair value accounting applied.

The consolidated financial statements present the results of the Company and its subsidiaries ("the Group") as if they have always formed a single group. Intercompany transactions and balances between Group companies are therefore eliminated in full. The share capital presented is that of Clean Power Hydrogen plc with the difference on elimination of CPHGL's capital being shown as a merger reserve.

Subsidiaries are all entities over which the Group has control. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Going concern

The Board has determined that the period to consider a going concern assessment is 12 months from the date of approval of the financial statements.

In assessing the Group's ability to operate as a going concern, the Board have prepared cash flow forecasts for the period to 30 June 2026 on likely future operations and have undertaken sensitivity tests on the key assumptions particularly in relation to new sales orders (deposits), timing of anticipated milestones, as well as considering potential coordinated actions (including cost reductions) designed to reduce cash burn in the event that any possible scenarios have a negative cash flow effect.

The forecast shows that whilst the Group will be able to operate within the level of cash reserves into the second half of 2025, further funding will be needed to continue in operational existence for a period of 12 months from the date of approval of these financial statements. The Group has taken steps to improve its ability to obtain further funds including making strong progress on company milestones, enabling access to new pools of funds hitherto untapped, seeking grant funding in alignment with the Company's activities and refining the investment case of the Company.

1. Summary of significant accounting policies (continued)

Going concern continued

In forming the conclusion that it is appropriate to prepare the condensed consolidated financial statements on a going concern basis the Directors have made the assumption that sufficient funding can be obtained from new and existing investors.

Although the Directors are confident that sufficient funding will be obtained as required, there can be no guarantee that such funding will be obtained and accordingly a material uncertainty exists that may cast doubt on the Group's and Company's ability to continue as a going concern.

Revenue

Revenue comprises income from the sale of equipment for the electrolytic production of clean hydrogen and oxygen and related licensing or consultancy fees.

Equipment revenue is recognised to the extent that the performance obligation, being the agreement to transfer the product, is satisfied, which is when the customer obtains control of the equipment. The transfer takes place in accordance with the terms agreed with each customer, at the point in time the goods are either despatched to or received by the customer.

Licence fee income, arising from granting non-exclusive use of the IP to customers, is recognised in full at the point when the related IP is transferred to the customer if the licence is only to use the IP available at that time and is separable from any other performance obligations. It is recognised over the period of the licence when it gives access to development of the IP over that time. Licence income related to the manufacture of equipment by a licensee is recognised when the customer completes manufacture and becomes liable to pay an equipment capacity related fee.

Consultancy fees are recognised over the period the service is delivered.

Government grants

Government grants are recognised in the statement of comprehensive income on a systematic basis over the periods in which the Group recognises the related costs as an expense for which the grants are intended to compensate as follows:

Income based grants

Income based government grants are recognised in other operating income based on the specific terms related to them as follows:

- A grant is recognised in other operating income when the grant proceeds are received (or receivable) provided that the terms of the grant do not impose future performance-related conditions.
- If the terms of a grant do impose performance-related conditions then the grant is only recognised in income when the performance-related conditions are met.
- Any grants that are received before the revenue recognition criteria are met are recognised in the statement of financial position as an other creditor within liabilities.

Capital grants

Government grants received relating to tangible and intangible fixed assets are treated as deferred income and released to the income statement over the expected useful lives of the assets concerned.

Share based payments

The Group operates an equity settled share based compensation plan in which the Company receives services from employees as consideration for share options. Warrants have also been issued as part of the compensation for professional services received. The fair value is established at the point of grant using an appropriate pricing model and then the cost is recognised as an expense in administrative expenses in the statement of comprehensive income, together with a corresponding credit directly in equity to retained earnings over the period in which the services are fulfilled. This is when the professional services are received or over the estimated period to vesting in respect of employees. The cumulative expense recognised for equity settled transactions at each reporting date until vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest.

Income tax

Current income tax assets and/or liabilities comprise obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid/due at the reporting date. Current tax is payable on taxable profits, which may differ from profit or loss in the financial statements. Calculation of current tax is based on the tax rates and tax laws that have been enacted or substantively enacted in the reporting period.

Deferred taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases.

1. Summary of significant accounting policies (continued)

Income tax continued
A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Research and development costs
An internally generated intangible asset arising from development (or the development phase) of an internal project is recognised if, and only if, all of the following have been demonstrated:

- It is technically feasible to complete the development such that it will be available for use, sale or licence;
- There is an intention to complete the development;
- There is an ability to use, sell or license the resultant asset;
- The method by which probable future economic benefits will be generated is known;
- There are adequate technical, financial and other resources required to complete the development;
- There are reliable measures that can identify the expenditure directly attributable to the project during its development

The amount recognised is the expenditure incurred from the date when the project first meets the recognition criteria listed above. Expenses capitalised initially consisted of direct and subcontract costs including materials or testing overheads. Attributable employee costs have now been capitalised as the time has been reliably captured and measured in respect of the element spent on specific projects, other research or operational time.

Where the above criteria are not met, research and development expenditure is charged to the income statement in the period in which it is incurred.

Capitalised development costs are initially measured at cost. After initial recognition, they are recognised at cost less any accumulated amortisation and any accumulated impairment losses.

The depreciable amount of a development cost intangible asset with a finite useful life is allocated on a systematic basis over its useful life, currently expected to range from three to six years. Amortisation begins when the asset is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

The amortisation period and the amortisation method for the assets with a finite useful life are reviewed at least each financial year-end. If the expected useful of the asset is different from previous estimates, the amortisation period is changed accordingly.

Patent costs
Patent cost assets are initially measured at cost. After initial recognition, they are recognised at cost less any accumulated amortisation and any accumulated impairment losses. The costs are amortised on a straight-line basis over a 3-year estimated useful life.

Software
Software assets are capitalised at the purchase cost. Subsequent to initial recognition they are stated at cost less accumulated amortisation and accumulated impairment. Software is amortised in the statement of comprehensive income on a straight-line basis over its estimated useful life of three years. These costs are recognised in administrative expenses.

Property plant and equipment
Property, plant and equipment is recognised as an asset only if it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

An item of property, plant and equipment that qualifies for recognition as an asset is measured at its cost. Cost of an item of property, plant and equipment comprises the purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

After recognition, all property, plant and equipment (including plant, computer equipment and fixtures) is carried at cost less any accumulated depreciation and any accumulated impairment losses.

1. Summary of significant accounting policies (continued)

Property plant and equipment continued

Depreciation is provided at rates calculated to write down the cost of assets, less estimated residual value, over their expected useful lives on the following basis:

Leasehold improvements	20% straight line
Plant and machinery	20% straight line
Office equipment	33% straight line

The residual value and the useful life of an asset is reviewed at least at each financial year-end and if expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying value of the asset and are recognised in profit or loss.

Right-of-use assets and leases

Assets and liabilities arising from a lease with a duration of more than one year are initially measured at the present value of the lease payments and payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease or the incremental borrowing rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Lease payments are allocated between principal, presented as a separate category, and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability, any lease payments made at or before the commencement date less any lease incentives received and any initial direct costs and are presented as a separate category.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Associated costs of all leases, such as maintenance, service charges and insurance, are expensed as incurred.

Impairment of intangible assets and property, plant and equipment

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash flows. As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

All individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An asset or cash-generating unit is impaired when its carrying amount exceeds its recoverable amount. The recoverable amount is measured as the higher of fair value less cost of disposal and value in use. The value in use is calculated as being net projected cash flows based on financial forecasts discounted back to present value.

The impairment loss is allocated to reduce the carrying amount of the asset pro-rata on the basis of the carrying amount of each asset in the unit. Assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment loss is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and an appropriate proportion of fixed and variable overheads incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price less costs to complete and sell. Where necessary, provision is made to reduce cost to no more than net realisable value having regard to the nature and condition of inventory, as well as its anticipated utilisation and saleability.

1. Summary of significant accounting policies (continued)

Financial instruments

Financial assets

Financial assets are recognised in the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the instrument. These comprise trade and other receivables and cash and cash equivalents.

Financial assets are initially recognised at fair value, which is usually the cost, plus directly attributable transaction costs.

Investments in equity shares of non-Group companies where there is no significance influence are available for sale and are subsequently measured at fair value through other comprehensive income.

All other financial assets are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables. The Group measures loss allowances at an amount equal to lifetime ECL, which will be estimated using past experience of the historical credit losses. Historical loss rates, where applicable, are then adjusted for current and forward-looking information on macroeconomic factors affecting the Group's customers, such as inflation rates. The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

The Group recognises loss allowances for expected credit losses ("ECLs") on financial assets measured at amortised cost to the extent that these are material. The Group has determined that there is no material ECL impact on the financial statements.

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and reward are transferred.

Financial liabilities

Financial liabilities include borrowings, lease liabilities, trade and other payables.

Financial liabilities are obligations to pay cash or other financial assets and are recognised in the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the instrument. Financial liabilities are initially recognised at fair value adjusted for any directly attributable transaction costs.

After initial recognition, financial liabilities are measured at amortised cost using the effective interest method, with interest-related charges recognised as an expense in finance costs. Discounting is omitted where the effect of discounting is immaterial.

A financial liability is derecognised only when the contractual obligation is extinguished, that is, when the obligation is discharged, cancelled or expires.

Current asset investments

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short term, highly liquid investments that are readily convertible into known amounts of cash and are subject to an insignificant risk of changes in value. Deposits of cash with banks that are subject to maturity terms of more than 90 days are presented as current asset investments.

Foreign currencies

Transactions entered into by the Group in a currency other than the functional currency of sterling are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in the statement of comprehensive income in administrative expenses.

The results of overseas subsidiaries are translated into the Group's presentational currency of sterling at the weighted average exchange rate for the year. The weighted average exchange rate is used as it is considered to approximate the actual exchange rates on the date of the transactions. The assets and liabilities of such undertakings are translated at the year-end exchange rate. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income and accumulated in a separate equity reserve.

1. Summary of significant accounting policies (continued)

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an economic outflow will occur in excess of any income to be received and a reliable estimate can be made including any additional evidence from post period end events.

Equity and reserves

Share capital represents the nominal value of shares that have been issued. Share premium represents the excess consideration received over the nominal value of share capital upon the sale of shares, less any incidental costs of issue.

The accumulated loss reserve represents all current and prior period trading losses.

The cumulative currency differences reserve represents translation differences in respect of the net assets of overseas subsidiaries.

Standards, amendments and interpretations in issue but not yet effective

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for accounting periods beginning on or after 1 January 2025 and which the Group has chosen not to adopt early. These include the following standards which may be relevant to the Group:

- Amendments to IFRS 9 and IFRS 7 mandatory for periods commencing 1 January 2026 – Amendments to the Classification and Measurement of Financial Instruments made to address diversity in accounting practice by clarifying requirements in two specific areas:
  - classification of financial assets with environmental, social and governance (ESG) and similar features; and
  - timing of derecognition of financial liabilities settled through electronic payment systems.
- IFRS 18 Presentation and Disclosure in Financial Statements mandatory for periods commencing 1 January 2027. IFRS 18 introduces three key new requirements:
  - specified categories and defined subtotals in the statement of profit or loss;
  - improved principles for aggregation and disaggregation of information; and
  - disclosures about management-defined performance measures

As a result of initial review of the new standards, interpretations and amendments which are not yet effective in these financial statements, none are expected to have a material effect on the Company or Group's future financial statements.

2. Critical accounting judgements and estimation uncertainty

The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Onerous contract (note 4)

The assessment of onerous contracts includes judgement of the following matters: a forecast of expected costs of completing the contract; the economic benefits resulting from fulfilling the requirements of the contract including benefits which are necessarily linked to the fulfilment of the contract; as well as the terms and conditions of the contract.

Inventory (note 4, note 15)

The assessment of the value of inventory is determined by its estimated net realisable value, which includes inter alia, the expected utility of inventory held in the future build of electrolysers based on designs of electrolysers at the date of assessment.

Share based payments (note 23)

The Group uses the Black Scholes option-pricing model where applicable for equity-settled arrangements, with inputs, in particular volatility, requiring significant judgement in application.

2. Critical accounting judgements and estimation uncertainty (continued)

Valuation of investments and intercompany loans (notes 12 and 16)

The assessment for impairment of investments and intercompany loans involves the consideration of forecasts in respect of the trading subsidiary in order to judge the likely future realisable amounts. These include estimates of future sales and margins from current knowledge of the technology and the market for a period of five years, then using a constant growth rate for a further five years. The forecasted margins were the balance sheet date, discounted by an externally verifiable 16.5% weighted average cost of capital for the Group. Forecasts and timing of sales may be impacted by other future factors which could impact the assumptions made.

Intangible assets (note 4, note 10)

The capitalisation and potential impairment of development costs is subject to a degree of judgement in respect of an assessment of the relevance and ongoing value of costs historically capitalised, the viability of new technology and know-how, supported by the results of testing, changes in technology used. The cash generating unit is commercial MFE electrolysers. To assess recoverability the key inputs were reasonable estimates of forecasted sales and gross profits of MFE electrolysers for a period of up to five years from the balance sheet date, discounted by an externally verifiable 16.5% weighted average cost of capital for the Group. Forecasts and timing of sales may be impacted by other future factors which could impact the assumptions made.

Amortisation commences once management consider that the asset is in use, i.e. when it is judged to be at a stage capable of application to commercial revenue streams and the cost is amortised over the estimated useful life of the know-how based on the expected life of the technology and related revenue.

3. Segmental reporting

IFRS 8 Operating Segments requires operating segments to be identified on the basis of internal reports that are regularly reviewed by the Group's chief operating decision maker. The chief operating decision maker is considered to be the Executive Directors.

The Group at this stage comprises only one operating segment for the development and sale of equipment for the electrolytic production of clean hydrogen and oxygen. The operating segments are monitored by the chief operating decision maker and strategic decisions are made on the basis of adjusted segment operating results.

All material assets, liabilities, revenues and expenses are located in, or derived in, the United Kingdom with the exception of a net £0.16m (2023: £0.24m) in respect of capitalised patent costs and deferred income in the Irish subsidiary of the Group which are denominated in Euros.

4. Operating loss

Expenses by nature	**31 December 2024 £'000**	31 December 2023 £'000
Administrative expenses		
Staff related costs	**2,994**	2,590
Professional and consultancy fees	**897**	919
Equipment hire	**261**	220
Premises related costs	**295**	216
Materials and consumables	**244**	210
Insurance	**187**	182
Foreign exchange loss	**13**	19
Depreciation and amortisation	**532**	413
Other costs	**289**	654
Profit on disposal of property, plant and equipment	**(8)**	—
	5,704	5,423
Impairment losses		
Impairment loss in respect of inventories	**2,365**	—
Impairment loss in respect of property, plant and equipment	**1,117**	—
Impairment loss in respect of intangible development costs	**5,642**	—
	9,124	—
Onerous contract losses	**538**	—
	15,366	5,423

In view of the Group's stage of development and progress in the year towards the production, installation and testing of the first commercial electrolyser, a detailed evaluation was carried out of development costs, fixed assets and inventories. As a result development costs previously capitalised but no longer considered applicable to the current and future electrolyser design have been impaired, together with tangible fixed assets in respect of demonstration equipment and inventory that will also now not be utilised.

4. Operating loss (continued)

Upon review of the Group's sales of electrolysers, it was determined that one sales contract meets the criteria of an onerous contract and as such and as such £892,000 of inventory relating to the project was impaired (included in £2,365,000 inventory impairment) and a £538,000 provision for future losses was recognised. (as explained further in the Finance Review in the Strategic Report on page 18).

The operating loss is stated after charging/(crediting):

	2024 £'000	2023 £'000
Other operating income		
Grant income	**(334)**	—
Auditor's remuneration (in administrative expenses):		
Audit of the Company's financial statements	**8**	7
Audit of the subsidiaries	**37**	33
	45	40

Other operating income includes grant income that had been previously deferred. Capitalised development costs relating to the grant have been impaired and accordingly grant income has been amortised. See discussion above on impairment of capitalised development costs.

5. Staff costs

Expenses by nature	**2024 £'000**	2023 £'000
Wages and salaries	**2,997**	2,856
Less amounts capitalised to development costs	**(851)**	(986)
Social security costs	**373**	356
Other pension costs	**62**	65
Share based payments	**182**	229
Total staff costs	**2,763**	2,520

Staff costs of £851,000 have been capitalised in development costs during the year (2023: £986,000).

The monthly average number of staff employed by the Group during the year was 52 with 34 in operations and 18 in management and support roles (2023: 55 with 38 in operations and 17 in management and support).

The Company employed an average of five staff in management roles (2023: five) with salaries of £775,000, social security costs of £108,000 and pension costs of £19,000 (2023: £705,000, £127,000 and £19,000 respectively).

6. Directors' emoluments

	2024 £'000	2023 £'000
Remuneration for qualifying services	**786**	714
Pension contributions	**19**	19
Equity settled Share based payments	**127**	193
	932	926

The highest paid Director received remuneration of £384,000 and share based payments valued at £116,000 (2023: £327,000 and £192,000 respectively). There were no retirement benefits accruing to Directors in respect of defined contribution schemes (2023: none).

The full remuneration report is set out on pages 38 and 39. Key management remuneration was as follows:

	2024 £'000	2023 £'000
Remuneration for qualifying services	**1,234**	1,112
Social security costs	**136**	151
Other pension costs	**23**	22
Equity settled share based payments	**141**	195
	1,534	1,480

7. Finance income and expense

	2024 £'000	2023 £'000
Finance income		
Bank interest receivable	**134**	345
Finance expense		
Lease liability financing charges	**(47)**	(49)

8. Income tax

	2024 £'000	2023 £'000
Current tax		
UK corporation tax	–	–
R&D tax credits in respect of current year	**400**	500
R&D tax credits in respect of prior periods	**108**	512
Total tax credit	**508**	1,012

Factors affecting the tax credit for the year

The tax assessed for the year differs from the average standard rate of corporation tax in the UK of 25% (2023: 23.5%). The differences are explained below:

	2024 £'000	2023 £'000
Loss before taxation	**(14,945)**	(5,127)
Income tax calculated at the average standard rate of corporation tax in the UK of 25% (2023: 23.5%)	**(3,736)**	(1,205)
Effects of:		
Expenditure not deductible for tax purposes	**5**	5
Impact of equity settled share based payments	**21**	(21)
Enhanced research and development allowances	**(462)**	(512)
R&D credit at lower tax rate	**600**	539
Deferred tax not recognised (see below)	**3,172**	694
Adjustments in respect of prior periods	**(108)**	(512)
Total tax credit for the year	**(508)**	(1,012)

Tax credits in respect of research and development expenditure are recognised in respect of the current year with 2023 reflecting credits as a result of both 2023 and 2022 eligible development spend. The tax rate used for the reconciliation is the average corporate tax rate of 25% (2023: 23.5%) payable by corporate entities in the UK on taxable profits under UK tax law.

In May 2021 an increase to 25% from April 2023 was substantively enacted. The tax rate used to calculate unrecognised deferred tax is therefore 25% at 31 December 2023 and 2024, being the rate at which the timing differences were expected to unwind based on enacted rates at each balance sheet date.

Unrecognised deferred tax asset/(liability) – Group	Tax losses £'000	Capital allowances £'000	Share based payments £'000	Total £'000
At 31 December 2022	3,217	(168)	–	3,049
At 31 December 2023	4,107	(404)	202	3,905
At 31 December 2024	**6,345**	**49**	**69**	**6,463**

Deferred tax assets have not been recognised at the year-end dates as the utilisation of losses was not yet considered sufficiently probable.

9. Earnings per share

	2024 £'000	2023 £'000
Loss used in calculating earnings per share (£'000)	**(14,437)**	(4,115)
Basic and diluted loss per share (pence)	**(5.37)**	(1.54)

The weighted average is calculated applying the equivalent number of Clean Power Hydrogen plc shares for each year. There is no dilutive effect on a loss. There are potentially dilutive options in place over 15,646,215 ordinary shares at 31 December 2024 (2023: 22,316,916).

10. Intangible assets

Group	Development costs £'000	Patents £'000	Software £'000	Total £'000
Cost				
At 1 January 2023	5,291	171	55	5,517
Additions	2,647	203	—	2,850
Exchange movements	—	(2)	—	(2)
Transfer to inventories	(637)	—	—	(637)
At 31 December 2023	7,301	372	55	7,728
Additions	2,680	72	—	2,752
Exchange movements	—	(10)	—	(10)
At 31 December 2024	**9,981**	**434**	**55**	**10,470**
Accumulated depreciation and impairment				
At 1 January 2023	—	21	20	41
Charge for the year	—	58	15	73
At 31 December 2023	—	79	35	114
Charge for the year	—	92	14	106
Impairment loss (note 4)	5,642	—	—	5,642
At 31 December 2024	**5,642**	**171**	**49**	**5,862**
Net book amount				
At 31 December 2024	**4,339**	**263**	**6**	**4,608**
At 31 December 2023	7,301	293	20	7,614
At 1 January 2023	5,291	150	35	5,476

The Group development costs relate to the direct expenditure incurred on the Group's membrane-free electrolysis technology.
The Company has no intangible fixed assets.

Refer to note 4 for further information about the impairment loss.

11. Property, plant and equipment

Group	Right-of-use property £'000	Leasehold improvements £'000	Plant and machinery £'000	Office equipment £'000	Total £'000
Cost					
At 1 January 2023	1,069	73	513	120	1,775
Additions	—	—	1,556	39	1,595
At 31 December 2023	1,069	73	2,069	159	3,370
Additions	209	—	237	4	450
Disposals	—		(29)	—	(29)
At 31 December 2024	**1,278**	**73**	**2,277**	**163**	**3,791**
Accumulated depreciation and impairment					
At 1 January 2023	208	10	127	43	388
Charge for the year	136	9	156	39	340
At 31 December 2023	344	19	283	82	728
Charge for the year	179	10	195	42	426
Impairment loss (note 4)	—	—	1,117	—	1,117
Disposals	—	—	(15)	—	(15)
At 31 December 2024	**523**	**29**	**1,580**	**124**	**2,256**
Net book amount					
At 31 December 2024	**755**	**44**	**697**	**39**	**1,535**
At 31 December 2023	725	54	1,786	77	2,642
At 1 January 2023	861	63	386	77	1,387

The Company has no tangible fixed assets.

12. Investments in subsidiary undertakings

Company	£'000
Cost and net book value at 31 December 2024 and 2023	**1,853**

Principal subsidiary undertakings	Address and country of registration	Principal activity	Class of shares held	% share holding
Clean Power Hydrogen Group Limited*	Unit D, Parkside Business Park, Spinners Road, Doncaster, DN2 4BL, England	Development and sale of electrolysers	Ordinary	100%
Clean Power Hydrogen Limited	Streamstown House, Streamstown, Co. Westmeath, N91 AY72, Republic of Ireland	Holds intellectual property	Ordinary	100%
Hydrogen United Limited	Unit D, Parkside Business Park, Spinners Road, Doncaster, DN2 4BL, England	Dormant	Ordinary	100%
CPH2 Northern Ireland Limited	5 Willowbank Road, Millbrook Industrial Estate, Larne, Antrim, BT40 2SF, Northern Ireland	Dormant	Ordinary	51%

*Held directly, all others held indirectly

13. Investments held at fair value through other comprehensive income

	£'000
Fair value at 31 December 2022	**1,497**
Movement in fair value	(438)
Fair value at 31 December 2023	**1,059**
Movement in fair value	(355)
Disposal of shares held at fair value	(704)
At 31 December 2024	**—**

The Company held 1,412,429 ordinary shares in ATOME plc which were sold during the year. ATOME plc is quoted on the London Stock Exchange Alternative Investment Market. The fair value at balance sheet date was measured using the quoted price on the AIM market at that date (a level 1 input using the price from an active market).

14. Current asset investments

	Group		Company	
	2024 £'000	2023 £'000	**2024 £'000**	2023 £'000
Current				
Term deposits	**—**	6,000	**—**	6,000

15. Inventories

Group	**2024 £'000**	2023 £'000
Raw materials and consumables	**1,614**	3,155

Inventory has been impaired by £2,365,000 in the year (2023: nil), relating to £892,000 inventory held for an onerous contract and £1,473,000 inventory which will not be utilised.

There is no value presented for work in progress as the costs incurred in the production of machines for confirmed orders received but not completed at 31 December 2024 have been fully impaired (see also note 4).

16. Trade and other receivables

	Group		Company	
	2024 £'000	2023 £'000	**2024 £'000**	2023 £'000
Current				
Trade receivables	**—**	82	**—**	—
Amounts owed by Group undertakings	**—**	—	**28,081**	18,915
Other receivables	**143**	231	**8**	13
Tax recoverable	**400**	500	**—**	—
Prepayments and accrued income	**933**	636	**59**	99
	1,476	1,449	**28,148**	19,027
Non-current				
Other receivables	**120**	120	**—**	—
	120	120	**—**	—

16. Trade and other receivables (continued)

Amounts owed by Group undertakings are unsecured, interest free and have no fixed date of repayment.

There has been no revenue to 31 December 2024 and there have been no impairment charges nor expected credit loss provisions made, as the credit risk in respect of trade and other receivables is considered low. The Directors consider that the carrying amount of trade and other receivables approximates to their fair value.

17. Trade and other payables

	Group		Company	
	2024 £'000	2023 £'000	**2024 £'000**	2023 £'000
Current				
Trade payables	**395**	626	**50**	28
Taxation and social security	**88**	100	**29**	29
Accruals	**254**	311	**192**	93
Provision for onerous contract	**538**	—	**—**	—
	1,275	1,037	**271**	150
Non-current				
Other payables	**1,166**	1,780	**—**	—
	1,166	1,780	**—**	—

Refer to note 4 for further information about the provision for onerous contract.

In prior years the Group had received cumulative grants from UK government research and development initiatives amounting to £334,000 in respect of capitalised development expenditure. These grants were deferred within liabilities and have now been amortised in line with impairment of the related development asset. Note 1 "Summary of significant accounting policies" sets out the policy and key judgements in relation to impairment of intangible assets.

The Directors consider that the carrying amount of trade and other payables approximates to their fair values.

18. Lease liabilities

Group	**2024 £'000**	2023 £'000
Current	**198**	128
Due in one to two years	**175**	136
Due in two to five years	**451**	461
Due in more than five years	**—**	12
Non-current	**626**	609

The financing charges in respect of right-of-use assets are disclosed in note 5 and the right-of-use-assets and depreciation in note 11. Right-of-use assets and lease liabilities relate principally to property leases discounted at a rate of 6%. The Group leases its main operating premises, typically on a five-to-eight-year lease, subject to periodic rent reviews and potential breaks, with the intention and assumption made in measuring assets and liabilities that the extended period will be utilised. Total cash outflows in respect of leases were £169,000 for the year ended 31 December 2024 (2023: £170,000).

19. Financing activities and movements in total borrowings

Group	2024 £'000	2023 £'000
At 1 January	**(737)**	(858)
Cash movements:		
Lease liability payments	**122**	121
Interest paid	**47**	49
Non-cash movements		
Additions to lease liabilities	**(209)**	—
Interest accrued	**(47)**	(49)
At 31 December	**(824)**	(737)
Comprising:		
Lease liabilities	**(824)**	(737)

20. Financial instruments and capital management

Risk management

The Board has overall responsibility for the determination of the Company and the Group's risk management objectives and policies. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's flexibility. All funding requirements and financial risks are managed based on policies and procedures adopted by the Board of Directors. The Group is exposed to financial risks in respect of market, credit and foreign exchange risk.

Capital management

The Company's and Group's capital comprises all components of equity which includes share capital, share premium and retained earnings. The Company's and Group's objectives when maintaining capital are to safeguard the entity's ability to continue as a going concern, so that it can continue to provide future returns for shareholders and benefits for other stakeholders, and to provide an adequate return to shareholders by managing technology development, pricing products as revenue commences commensurately with the level of risk.

The capital structure of the Company and Group consists of shareholders' equity with all working capital requirements financed from equity and property costs funded by lease agreements.

The Company and Group set the amount of capital they require in proportion to risk. They manage their capital structure and raise capital in the light of the investment in product development, changes in economic conditions, the ability to finance capital purchases and the risk characteristics of the underlying assets and activity. In its development the Company has raised equity capital and has not utilised borrowings in view of the risks at this stage. Following the AIM listing, it may issue new shares or sell assets to reduce debt.

Market risks

These arise from the nature and location of the customer markets, competing technology and foreign exchange rate risks.

The Group expects to trade initially primarily within the UK and Irish markets. This is likely to expand to other markets, and accordingly there will be a risk relating to the underlying performance of these markets and their currency risk which will be actively monitored by the Directors.

Foreign exchange risk

The Company has an Irish subsidiary which funded the initial product development with equity and a related party loan denominated in Euros. It expects to commence trade with overseas customers with the only revenue to date invoiced in sterling. There has therefore been a reduced sensitivity to fluctuations in exchange rates and a 10% movement in Euro exchange rates would impact the statement of financial position by approximately £40,000.

The Group had the following net balances in respect of the Irish subsidiary denominated in foreign currency:

	2024 £'000	2023 £'000
Euro denominated	**160**	(164)

20. Financial instruments and capital management (continued)

Interest rate risk

Lease liabilities are derived at fixed interest rates and reflect an underlying fixed rental with no current exposure to floating rates.

Credit risk

Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company and Group are mainly exposed to credit risk from credit sales and attempt to mitigate credit risk by assessing the creditworthiness of customers and closely monitoring payments history.

Credit risk on cash and cash equivalents is considered to be minimal as the counterparties are all substantial banks with high credit ratings.

Liquidity risk

The maturity of the Group's financial liabilities including trade and other payables, other loans and lease liability total payments with the interest payable is as set out below. Current liabilities were payable on demand or to normal trade credit terms with the exception of lease liabilities which are payable quarterly.

At 31 December 2024	Up to 1 years £'000	1–2 years £'000	2–5 years £'000	Over 5 years £'000
Trade and other payables	(649)	—	—	—
Lease liabilities	(239)	(206)	(479)	—
	(888)	**(206)**	**(479)**	**—**

At 31 December 2023	Up to 1 years £'000	1–2 years £'000	2–5 years £'000	Over 5 years £'000
Trade and other payables	(937)	—	—	—
Lease liabilities	(169)	(169)	(507)	(13)
	(1,106)	(169)	(507)	(13)

Classification of financial instruments

All financial assets, except for an investment held at fair value, have been classified as at amortised cost, and all financial liabilities have been classified as other financial liabilities measured at amortised cost.

Financial assets	**2024 £'000**	2023 £'000
At amortised cost		
Trade and other receivables	**263**	433
Cash and cash equivalents	**327**	8,468
	590	8,901
At fair value		
OCI investments	**—**	1,059
Financial liabilties		
At amortised cost	**(649)**	(937)
Trade and other payables	**(824)**	(737)
Lease liabilities	**(1,473)**	(1,674)

21. Share capital

The movements in the Company's share capital have been as follows:

	Number of £0.01 shares	Nominal £'000	Share premium £'000
At 31 December 2022	265,419,967	2,654	27,638
Exercise of options at £0.035 each	2,764,160	28	69
At 31 December 2023	268,184,127	2,682	27,707
Exercise of options at £0.035 each	1,500,000	15	38
At 31 December 2024	**269,684,127**	**2,697**	**27,745**

All £0.001 ordinary shares rank equally with the right to receive dividends and capital distributions.

Merger reserve

In 2022, the issue of shares with a nominal value of £1,852,677 in exchange for the 9,263,385 £0.001 shares in CPHGL with a nominal value of £9,263 and share premium of £5,545,118 resulted on elimination of the difference in a credit to a merger reserve of £3,701,704 presented as a capital reorganisation in accordance with the merger accounting principles.

22. Share based payments

1,149,311 options under an EMI scheme were granted in February 2024 with a two-year vesting period. 25% vest on continued employment and 75% are subject to total shareholder return performance conditions. The respective fair values of £0.072 and £0.036 per option were derived using a Black Scholes model with a risk-free rate of 4.5% and volatility of 50%. 1,190,561 options under an EMI scheme were also granted in February 2024 with a three-year vesting period. 25% vest on continued employment and 75% are subject to total shareholder return performance conditions. The respective fair values of £0.072 and £0.054 per option were derived using a Black Scholes model with a risk-free rate of 4.5% and volatility of 50%. These resulted in a charge of £43,000 for the year.

944,257 options under a save scheme were granted in May 2024 with a three-year vesting period. The fair value of £0.061 per option was derived using a Black Scholes model with a risk-free rate of 4.5% and volatility of 50%. These resulted in a charge for the year of £9,000.

The exercise price and fair value of unexercised options as at 31 December 2024 were as follows:

	Number of options in the Company	Exercise price per share £	Fair value per share £
February 2022	2,652,245	0.085	0.171
February 2022	7,162,280	0.035	0.018
February 2022	2,000,000	0.25	0.086
November 2022	107,073	0.32	0.176
June 2023	300,000	0.30 to 0.42	0.008 to 0.21
June 2023	211,087	0.22	0.103
February 2024	2,339,872	0.01	0.036 to 0.073
May 2024	873,658	0.105	0.061
	15,646,215		

22. Share based payments (continued)

At 31 December 2024 the remaining options had an average estimated remaining vesting period of 0.41 years and an average exercise price of £0.08 per option (2023: 0.32 years and an average exercise price of £0.09 per option).

	Number of options
At 31 December 2022	**24,625,450**
Exercised in the year	(2,764,160)
Granted in the year	772,901
Lapsed or cancelled in the year	(317,275)
At 31 December 2023	**22,316,916**
Exercised in the year	(1,500,000)
Granted in the year	3,284,129
Lapsed or cancelled in the year	(8,454,830)
At 31 December 2024	**15,646,215**

Prior year grants

300,000 of new EMI options and 472,901 options under a share save scheme were granted in June 2023 with a three-year vesting period. The fair values of £0.008 to £0.103 per option were derived using a Black Scholes model with a risk-free rate of 5% and volatility of 50%. These result in a charge for the year ended 31 December 2024 of £10,000 (2023: £11,000).

10,608,980 new options over Parent Company shares were granted in February 2022 with an exercise price of £0.085 per share and a vesting period to June 2024. 25% are subject only to the vesting period and 75% to revenue targets. The fair value of £0.171 per option was derived using a Black Scholes model with a risk-free rate of 1% and volatility of 50%. These result in a charge for the year ended 31 December 2024 of £95,000 (2023: £190,000).

590,030 of new options were granted in November 2022 with an exercise price of £0.318 per share and a three-year vesting period. The fair value of £0.176 per option was derived using a Black Scholes model with a risk-free rate of 3% and volatility of 50%. These result in a charge for the year ended 31 December 2024 of £26,000 (2023: £28,000).

23. Post balance sheet events

The placing, subscription and retail offer announced in December 2024 were approved on 8 January 2025. The Company issued and allotted 8,572,662 Placing Shares, 74,612,919 Subscription Shares and 1,017,813 Retail Offer Shares at 7.5 pence per share resulting in a total of 84,203,394 new shares being issued and £6,356,000 gross funds raised (£5,705,000 net).

24. Control and related party transactions

At 31 December 2024, the Company was an ultimate parent company. There is no individual ultimate controlling party.

The key management personnel are considered to be the Directors of the Company and its subsidiaries. Please refer to note 6 for details of key management personnel remuneration.

There have been transactions with Directors and with other entities over which the Directors have control in respect of small interest free loans, outstanding expense balances and amounts owed in respect of consultancy fees charged included in trade and other payables. These are as follows in aggregate:

	2024 £'000	2023 £'000
Amounts owed by the Group at the year end	**—**	—
Purchases in the year	**2**	64

On 8 July 2024 Henry Price (director of a subsidiary) exercised 1,500,000 options receiving the same number of ordinary shares. In the comparative financial year Jon Duffy exercised 2,764,160 receiving the same number of ordinary shares. Further details of the options issued to Directors and exercised by Directors are shown within the Remuneration Committee report on pages 38 and 39.

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